Report for:	Cabinet: 7 th December 2021
Title:	Decentralised Energy Network Project: Approval of Outline Business Case for Tottenham Hale and Wood Green
Report authorised by:	David Joyce, Director Housing, Regeneration & Planning
Lead Officer:	Rob Krzyszowski, Assistant Director Planning, Building Standards & Sustainability Joe Baker, Head of Carbon Management Tim Starley-Grainger, Energy Infrastructure Manager, x1180 tim.starley-grainger@haringey.gov.uk.
Ward(s) affected:	Noel Park, Woodside, Northumberland Park, Bruce Grove, Tottenham Hale, Bounds Green, West Green, Tottenham Green, Hornsey, Alexandra,

Report for Key/ Non-Key Decision: Key decision

1 Describe the issue under consideration

- 1.1 The Council has made a major commitment to low carbon growth in housing and employment through the Borough Plan, with significant regeneration and place-making to be delivered at Tottenham Hale and Wood Green. The delivery of a Decentralised Energy Network (DEN) will deliver this and is a requirement set out in the National Planning Policy Framework (NPPF), London Plan and the Local Plan on all major development sites. DENs can deliver energy in a more efficient, lower carbon manner and provide a good heat energy service to residents.
- 1.2 The development and expansion of the DENs in Tottenham Hale and Wood Green are key to the commitments in the adopted Climate Change Action Plan (CCAP March 2021) following the Council declaring a Climate Emergency in March 2019. The DEN project is the biggest single contributor to deliver carbon reduction in the CCAP.
- 1.3 Both the CCAP and the Borough Plan include commitments for Outline Business Cases (OBCs) exploring setting up DEN schemes in both Tottenham Hale and Wood Green as a means of delivering low carbon heat to the regeneration of the two areas. The commitment is to deliver these OBCs in 2021, to feed into the long-term programme of work.
- 1.4 This report seeks approval of the OBCs for both the Tottenham Hale and Wood Green DEN projects. It also seeks approval to accept and release Government funding to progress enabling works and develop the Full Business Case (FBC) which will be brought back to Cabinet in late 2022.
- 1.5 The DEN Project is a long-term piece of work. The Council has been working on developing the DEN since 2012. The OBCs are based on a HM Treasury 5



case methodology for business cases for major projects, including DENS. The OBCs are structured into: Strategic Case, Economic Case, Commercial Case, Financial Case and Management Case.

1.6 The OBCs are a step to establish the feasibility of the schemes for Tottenham Hale & Wood Green ahead of a decision of a FBC (i.e. approving the OBCs does not commit the Council to fully implementing the project) but there are potential financial consequences in terms of repaying government grant should the Council not proceed without a good reason.

2 Cabinet Member Introduction

- 2.1 The Council has committed to achieving a net zero borough by 2041. The Council also has committed to work towards the delivery of an energy company that puts residents before profits. These are both significant challenges, requiring measured and detailed plans if we are to be successful.
- 2.2 The Outline Business Cases for Decentralised Energy Networks (DENs) at Tottenham Hale and Wood Green, is a significant carbon reduction project within the borough's Climate Change Action Plan. The borough's homes make up 50% of its carbon emissions. The DEN programme would replace thousands of highly polluting individual gas boilers from our homes and buildings and replace them with an infrastructure which could reduce CO2 emissions from heating by 80% versus the use of gas, equating to 28K tonnes of CO2, 5% of the current footprint. The DEN programme would go a long way to deliver our CCAP pledge of delivering "homes that are desirable, warm, and affordable to run."
- 2.3 These two Outline Business Cases set out the technological, and economic assessments that the Council have undertaken to demonstrate that these projects are viable and deliverable. They show that it is possible to deliver low carbon heat to our homes, public buildings, and local business. They show that the DEN projects can also heat at affordable prices, deliver air quality benefits, local energy security, and new jobs. Delivering all these benefits through a publicly owned energy company. This will ensure that the spend is kept within the local community rather than giving this to big energy companies who will take the profits away from our borough.
- 2.4 While aspects of this report may seem complex, and the figures involved are significant, we need projects like this if we are to deliver on our carbon reduction ambition. We need to be bold, and we need to focus on the future benefits of carbon reduction and integrate benefits, such as affordable energy for our community. We are learning from other Council's experiences and like them, we are stepping into a place where the free market has failed. While many may wait for regulation and government action, in Haringey we believe that we should show leadership and step into this market ensuring we can protect our planet and our residents.
- 2.5 These Outline Business Cases are a key stage as we consider the full business development. By agreeing this report, we will move to the delivery of the



detailed commercial Full Business Case. We will do this with the support of Government funding, which allows the next stage of development to be fully funded. Allowing the Council to set the objectives that will be developed further in the DEN Full Business Case.

- 2.6 The Full Business Case will then be delivered having been fully designed, scrutinised, assessed, and commercial terms confirmed. So that when this comes back to the members for decision, it is based on a comprehensive understanding with all the details that can realise our low carbon ambition set out in the Borough's Climate Action Plan.
- 2.7 In its 6th Carbon Budget the Climate Change Committee recommends the development of policies which can lead to 1 in 5 homes being served by heat networks by 2050. It recommends that over the next decade the aim should be to connect 19% of UK homes being connected to a low carbon heat network such as the one we are proposing. Haringey can take a serious lead in this through the careful, detailed and studied development process outlined in the following pages. This essential exploratory work is an important part in our programme to make the borough truly energy efficient and acting on our pledges to make the Haringey net zero by 2041.

3 **Recommendations**

It is recommended that Cabinet:

3.1 Notes the progress to date of the Council's DEN to deliver a significant decarbonisation of the borough's developments as outlined in section 6 of this report

Recommendations related to Tottenham Hale DEN Project

- 3.2 Approves the Outline Business Case at Appendix 2 in respect of the Tottenham Hale DEN, including a link to Broadwater Farm, in order to progress the proposal to FBC
- 3.3 Subject to recommendation 3.2, approves the acceptance of Heat Network Investment Partnership (HNIP) funding (subject to approval of the Funding Agreements at 3.11 below):
 - a. £1.2m for commercialisation grant funding to develop the proposal to FBC;
 - b. £3.4m of construction grant funding; and
 - c. £12.65m of construction loan to be used to construct the DEN, subject first to approval of the FBC
- 3.4 Approves entry by the Council into an Adoption Agreement with Argent LLP for the installation of heat network infrastructure at sites in Tottenham Hale as further described in paragraphs 6.24 to 6.26 of the report and gives delegated



authority to the Director of Housing, Regeneration and Planning to finalise the terms of the Adoption Agreement for it to be entered into

Recommendations related to Wood Green DEN Project

- 3.5 Subject to recommendation 3.2 (approval of the Tottenham Hale scheme) approves the Outline Business Case at Appendix 2 in respect of the Wood Green DEN and the extension of the link from Broadwater Farm, in order to progress the proposal to FBC
- 3.6 Subject to recommendation 3.5, approves the acceptance of HNIP funding (subject to approval of the Funding Agreements at 3.11 below):
 - a. £0.85m for commercialisation grant funding in order to develop the proposal to FBC;
 - b. £7.18m of construction grant funding; and
 - c. £2.56m construction loan to be used to construct the DEN, subject first to approval of the FBC

Recommendations related to both Tottenham Hale and Wood Green

- 3.7 Agrees that officers will develop and negotiate Heat Offtake Agreements with Energetik (purchasing heat) in accordance with the Council's Standing Orders. All agreements will be subject to the approval of the FBC by Cabinet
- 3.8 Agrees that officers will develop a proposal for the set-up and governance of an appropriate corporate vehicle (working title Haringey Energy Service Company, HESCO) to deliver the DENs as the heat supplier and manager of the network with a report setting out the proposed delivery structure being brought back to Cabinet for approval once complete
- 3.9 Note that officers will negotiate connection and supply agreements (selling heat) with developments in the borough following processes set out in planning agreements and legislative frameworks. All agreements will be subject to the approval of the FBC by Cabinet
- 3.10 Note that officers begin communication and consultation with local communities and developers on the delivery of this low carbon infrastructure
- 3.11 Subject to recommendations 3.3 and 3.6, approves the Funding Agreements at Appendix 3 as described in paragraphs 6.51 to 6.56 and Appendix 4 of the report and gives delegated authority to the Director of Housing, Regeneration and Planning, in consultation with the Monitoring Officer and Chief Finance Officer, to approve any amendments to the Funding Agreements as may be necessary, for reasons including but not limited to ensuring consistency and finalising any outstanding areas.

Recommendations 3.12 – 3.13 are set out in the exempt part of this report.



4 Reasons for decision

- 4.1 Approving the Outline Business Case in respect of both Tottenham Hale and Wood Green allows the Council to move forward with commitments in the CCAP to deliver the DEN projects and reduce the borough's carbon footprint.
- 4.2 The DEN projects will deliver affordable and secure heat for residents to a good standard of service and provide substantial local air quality and economic/ community wealth building benefits.
- 4.3 There is a window of opportunity created by the scale of ongoing development and availability of central government funding for the Council to act to deliver a DEN in Haringey to ensure the benefits of the borough's DENs are maximised and best aligned with the Council's priorities.
- 4.4 The Tottenham Hale and Wood Green schemes are in the existing energy masterplan along with the North Tottenham DEN which Cabinet approved an OBC for in January 2017.
- 4.5 The next stage of work (the development of the Full Business Case) is 100% Government grant funded presenting a lower risk for the authority and a key incentive for the project. The grant is subject to either 0% clawback, 50% clawback or 100% clawback as set out in section 6.54 of the exempt report.
- 4.6 The recommendations work towards delivering on the Borough Plan commitments to:
 - Lead on the delivery of an energy network where more sustainable energy is generated for use within the borough; and
 - Explore setting up an alternative local or regional energy savings company(s) that would serve our community by helping to tackle fuel poverty
- 4.7 The recommendation to set up DENs fed from the Energy Recovery Facility (ERF) is based on analysis in the Economic Case of the OBCs showing that this is the most advantageous option. It is also in line with previous analysis in the Council's Decentralised Energy Masterplan and in the Upper Lea Valley Opportunity Area Planning Framework which complements the London Plan (see also Section 7. Energetik (Enfield Council's Energy Company) has an exclusive deal in place with the North London Waste Authority (NLWA) to buy heat from the ERF and so the proposed DENs will need to buy energy from Energetik.
- 4.8 The OBCs cover two separate projects for Tottenham Hale and Wood Green. These projects have many synergies which is why a combined OBC has been produced. However it should be noted that whilst the Tottenham Hale scheme could be delivered independently of Wood Green, the Wood Green project is dependent on approval of the Tottenham Hale scheme to progress.



4.9 Approving the OBCS is a key step in the project to proceeding with a FBC for both schemes in 2022.

Further detail is set out in paragraphs 4.10 - 4.11 of the exempt part of this report.

5 Alternative options considered

Do Nothing

5.1. This would neither deliver the maximum carbon, air quality and economic benefits to the local area nor meet commitments in the CCAP and Borough Plan. If the Council did not enter this market, due to the planning requirement to deliver communal heating, developers would procure private energy companies to manage their systems. These would most likely be based on gas. As this is currently an unregulated market, any provider could be chosen. As seen already in a few private developments in the borough, this may put residents at risk from a private monopoly where the private company is focused on increasing profits rather than user's costs. Additional information on other sources of low carbon heat can be found in Appendix R.

Seek a smaller DEN Network

- 5.2. The option for creating a smaller DEN incorporating fewer sites in the Borough was considered and ruled out at this stage. DENs tend to become more viable with size and even the schemes proposed here require grant funding. Smaller schemes would need more grant funding to be viable and HNIP funding criteria specifically favour larger schemes. No viable smaller schemes could be found.
- 5.3. Additionally, the Council has declared a Climate Emergency and is seeking to accelerate decarbonisation to achieve a zero carbon borough by 2041. A smaller scheme would contribute less to this target and ignores the urgency of the need to decarbonise.

Seek a larger DEN Network

- 5.4. There are two ways to seek to deliver a larger DEN; either by seeking to add more customers in the proposed areas or extending the network to larger additional areas.
- 5.5. In terms of adding customers in the areas served by the scheme, a thorough review of potential customers has been conducted. While this identified many smaller existing buildings (including e.g. medium density homes with individual heating systems), the cost of connecting such customers makes it impossible to make an attractive offer at present.
- 5.6. In terms of adding additional areas to the network, the opportunity has been identified to extend the DEN southwards towards St Ann's and Hackney (including Woodberry Down). This opportunity is less time critical than the Tottenham Hale and Wood Green schemes and so can be considered separately in the future. Including it within either of the schemes proposed



today would improve the viability but also increase the risk and financial requirement of the scheme. On balance it was considered preferable to seek to deliver the extension opportunity as a potential subsequent project.

5.7. Keeping the OBCs focussed to two key growth areas in Tottenham Hale and Wood Green allows significant development of the DEN without it becoming unmanageable. The Wood Green project is entirely dependent on the Tottenham Hale project progressing.

Alternative Sources of Heat

- 5.8. The Council considered several alternative heating systems for the DEN and the borough buildings. Installing individual Heat Pumps is both more expensive to install and more expensive to operate than gas boilers. Furthermore, mass roll out will require a major investment in the national electricity grid. At this time this was considered not a viable option.
- 5.9. Many of the solutions available to decarbonise our buildings are still under development and are not yet market ready. DENs bring opportunities at scale, for example, a DEN could tap into energy sources and ship it (a body of water or an Energy Recovery Facility), via pipes buried in the ground to heat customers. If heat sources are large enough and cheap enough, and the energy demand is sufficiently dense, it can be a cost-effective solution. While the cost of connecting customers is similar for all heat sources, the cost of supplying them varies and so the network extent will differ depending on choice of heat source.

Alternatives to a Council owned energy company including potential for Private Sector led schemes

- 5.10. A full spectrum of options has been considered for delivery (i.e. acting as the owner/heat supplier) ranging from 100% delivery by a third party (e.g. private sector) organisation to 100% publicly owned and delivered in-house by the Council. These options are detailed in the Commercial Case of the OBCs. Involving a third party in these roles requires the Council to confirm the customer base that will connect (which it is not currently in a position to do) and there is not sufficient time in the programme to both confirm the customer base and select a suitable partner.
- 5.11. The Council does not have sufficient control over the customer base at this time and by the time it can exert such control, there will be insufficient time to find a partner.
- 5.12. Indeed, the programme for the DEN projects is such that, even if the Council had control over the customer base today, it would be extremely challenging to select a funding partner in time to initiate the project. If the project is not initiated to the timescales set out in the OBCs, a substantial portion of the opportunity will be lost to the point that the projects are no longer viable to link into the heat network. The OBCs do identify areas where there may be scope to involve third parties later in the development of the schemes.



- 5.13. Therefore, the Council will need to take on the roles of owner and heat supplier in the delivery of the project and the question comes down to whether this is in-house or via a Special Purpose Vehicle. This is discussed further in 6.46 to 6.50.
- 5.14. As a Council scheme funded via the Heat Networks Investment Project (HNIP), the Council is required to sign up to consumer protection scheme Heat Trust or equivalent. This will ensure the maintenance of customer service standards; providing access to an Ombudsman; and promoting best practice and continuous improvement.

Further detail is set out in paragraph 5.15 of the exempt part of this report.

6 Background information

What are DENs?

6.1. Decentralised Energy Networks (DENs) are energy infrastructure which supply heat to buildings via a network of buried, insulated pipes. By connecting multiple buildings together, DENs create a single large heat load. The scale of the heat load makes it possible for DENs to source heat from technologies and/or locations which would not normally be viable for smaller loads. DENs make these sustainable energy sources available to customers who would not normally be able to access them. Figure 1 below is an example of how the network distributes heat energy.

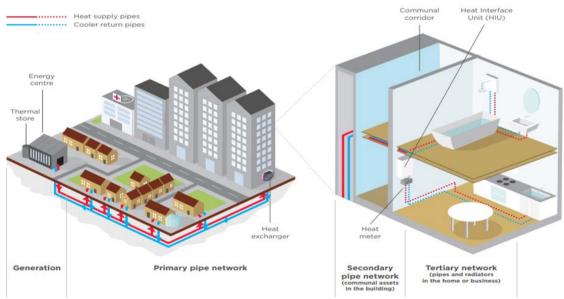


Figure 1 shows how a DEN distributes heat

The Council role



- 6.2. The Council's strategic policies support the development of DENs and are set out in Section 7, broadly these include: local, regional, and national planning policies, the adopted Climate Change Action Plan, and Borough Plan.
- 6.3. The Council is well placed to promote and grow DENs and ensure that the associated benefits are realised. As the Planning Authority, and with its role in place making, the Council can advise and map new developments to ensure that they are future proofed for wider DEN connection. The Council is a large housing owner and housing developer, often with houses based around a small geographic location. This means that it is easier for these houses to connect and benefit from the DEN approach. The Council also has large public buildings that can benefit from this heat, such as schools and leisure centres.
- 6.4. This aligns with the Government's approach to the decarbonisation of new developments. As a result of this, through the planning system multiple communal heating systems have been delivered in new developments across Haringey. This report sets out the mechanism in which these communal heating systems can be brought together, managed, and supported into one operating approach, delivering the benefits of DENs. This single operation approach will deliver a new Energy Services Company (ESCO). If the recommendations in the report are agreed, the Haringey Energy Services Company, that will manage the DEN programme and for the purpose of this report will be known as the HESCO.
- 6.5. Without a coordinated approach these new developments, which include the Council's own new Council housing developments, will develop plot by plot and more private sector led solutions. These may have high life cycle costs to residents as end users, are more likely to be managed by small private sector monopolies and the opportunity to create a cost-effective decarbonised district heat solution will be lost.
- 6.6. The Council strategy is to supply heat to residents at a more affordable price than heat delivered through the cheapest alternative system permissible to the customer but with the benefit of air quality improvement and low carbon heat. Similarly, where we supply heat to buildings/businesses, we intend to supply clean energy at the same price as the cheapest long-term and permissible alternative. Due to the nature of communal heating systems being a monopoly, we are designing high standards of customer service and protection. Modelling on the affordability is detailed in the Economic Case and decisions on the overall approach to the customer experience will be developed and considered by Cabinet at FBC stage.

DEN opportunity in Haringey

6.7. Linking into the previously agreed DEN opportunity at North Tottenham and wider DEN opportunities across Haringey, the OBCs present the case for change and develop the social, economic, and environmental opportunities for DENs in Tottenham Hale and Wood Green. Key aspects of the Haringey DEN programme aim to support:



- Growth in Tottenham Hale around Ferry Island, Ashley Road and Hale Village;
- Growth in Wood Green initially focussed on Clarendon Square, and several other schemes;
- Additional areas in and around Haringey which are part of the wider DEN project but not part of the currently-proposed OBCs including: growth around the Tottenham Hotspur Stadium, High Road West and the recently refurbished and expanded heating system at the Council's Broadwater Farm Estate;
- 6.8. The delivery of DENs is at a crucial stage. There are developments of around 8,000 homes in the pipeline in DEN areas and the developers need clarity on their energy supply. Developers as part of their planning requirements and at their own cost are already installing infrastructure to be compatible with the wider DEN.
- 6.9. Another factor supporting the growth in DENs in Haringey and neighbouring boroughs is the significant source of heat at the North London Waste Authority's forthcoming ERF. This plant will produce enough heat to supply 127,000 homes. Additional information on other sources of low carbon heat can be found in the OBC.
- 6.10. The OBCs also set out the options available for the locations of energy centres. Further detail can be found in the Strategic Case.

Stakeholder and community engagement

- 6.11. The DEN project has been presented to the Haringey Climate Change Forum and was set out to residents during the development of the borough's Climate Change Action Plan. This gave an overview of the ambition and opportunities for the DENs in Haringey. During both engagements, the project secured a high level of support, though it is accepted that these stakeholders are advocates for the promotion of low carbon futures. It is recognised that as we work to the FBC and develop more details on the projects – such as routes of pipework the Council will undertake more community engagement with all affected residents, addressing the construction impacts as well as the longer-term benefits.
- 6.12. The HESCO intends to have strong customer service, billing and operational management and designing this effectively with key stakeholders including communities will be a priority.
- 6.13. A key dependency of the project is working closely with other north London boroughs (who have similar heat networks ambitions), the North London Waste Authority (NLWA), and the Greater London Authority (GLA). To enable the OBCs' development we have had meaningful discussions with these groups and received support to move this forward. This has helped inform the OBCs report (in Appendices 1 and 2 for the public and private versions respectively).

Energy Recovery Facility



- 6.14. The recommendation to set up DENs fed from the ERF is based on analysis in the Economic Case of the OBCs showing that this is the most advantageous option. It is also in line with previous analysis in the Council's Decentralised Energy Masterplan and in the Upper Lea Valley Opportunity Area Planning Framework which complements the London Plan (see also Section 7). At this time the new ERF facility is being procured and a decision on this is expected imminently. The Council will wait for this decision before any commercial or contractual agreements related to the DEN OBC are undertaken.
- 6.15. Energetik (Enfield Council's Energy Company) has an exclusive deal in place with the North London Waste Authority (NLWA) to buy waste heat from the ERF and so the proposed DENs will need to buy energy from Energetik and this includes Haringey.
- 6.16. The Council can negotiate directly with Energetik to buy heat in accordance with the Utilities Contract Regulations 2016 and discussions are currently at an early stage. As the project moves to FBC these discussions will become more detailed, formalised, and commercial. The final arrangements will need to be confirmed by the Cabinet at the FBC stage of delivery.
- 6.17. Although the preferred option of sourcing heat at this time is via Energetik, the DEN infrastructure is flexible and can adapt to varying sources of energy to produce heat as technologies and legislation changes over time. The purchase of heat will be undertaken in accordance with the Utilities Contract Regulations 2016 and the Council's Contract Standing Orders.

Work from Outline Business Case to Full Business Case (FBC)

- 6.18. The Council has already undertaken high-level assessment and viability, which has demonstrated an opportunity for further investigation and identified a proposed delivery model to recommend to the Council. This work has taken us to the OBC stage.
- 6.19. Further viability will be developed and assumptions will need to be tested to de-risk the project and to prove viability. This will be undertaken as the Council moves towards the FBC. For example, undertaking procurements to understand how much it will cost to operate and negotiate with customers (developers / building owners) to confirm who will connect and what they will pay, etc.
- 6.20. In doing this the Council will understand in greater detail and fully test the financial returns alongside the operational and reputational aspects of such a large scheme.
- 6.21. This will be brought together in the next stage of work to get to an investment grade proposal and will take approximately 18 months. This is known as the commercialisation work. This work will allow the Council to make an informed decision on whether to proceed with the FBC.

Route of the Network and Ownership



- 6.22. The exact route of the pipe network is not yet confirmed. However, this will be designed and delivered as a core piece of work as the Council moves to FBC. This route map will enable the Council to fully cost the installation of this network and identify and overcome any physical infrastructure (such as sewers and culverted rivers).
- 6.23. The HESCO will own and maintain the strategic pipework that links from Edmonton to the connecting site boundaries. In some instances, the Council will take ownership or adopt pipework, at no cost, that has been provided and installed by private developers as part of their planning requirements. This will reduce the financial impact on the HESCO and enable site works to be delivered in a coordinated manner at site construction, reducing impacts on the community.
- 6.24. The Council has entered into a section 106 agreement with the developer Argent LLP ("**Argent**") in Tottenham Hale. This section 106 agreement includes planning obligations on Argent for the installation and commissioning of heat network infrastructure. This will enable future connection to the DEN and future expansion beyond the sites.
- 6.25. Argent will fund and install this heat network infrastructure on the relevant sites as Argent develops these sites. This infrastructure will be to the Council's requirements and reasonable satisfaction, following which the Council will adopt the infrastructure. Paragraph 8.25 of the report provides a high-level summary of the key terms of the proposed arrangement.
- 6.26. Due to the timing of the wider works being undertaken by Argent, it will be necessary to enter into an Adoption Agreement between the Council and Argent for this infrastructure works before the FBC is complete. An Adoption Agreement has been prepared which provides flexibility to transfer the Adoption Agreement to the HESCO once the HESCO is set up. It is recommended that the Director of Housing, Regeneration and Planning finalise the terms of this Agreement and enter into the agreement with Argent.

Paragraphs 6.27 – 6.29 are contained in the exempt part of this report.

Benefits from DENs / Why decarbonise

- 6.30. While DENs constitute large, complicated pieces of energy infrastructure, they also have broad social, economic, and environmental benefits, affecting a wide geography and numerous stakeholders, providing benefits to residents.
- 6.31. The two main environmental benefits involve reductions in carbon emissions and improvements to local air quality.
- 6.32. In terms of carbon emissions, Haringey currently relies on natural gas for around 85% of its heating needs. This needs to be eliminated if the worst impacts of climate change are to be avoided and to meet UK targets. The DEN can deliver energy that is very close to zero carbon. For example, the Tottenham Hale DEN scheme is anticipated to save up to 58,000 tonnes of



carbon in the short term (15 years) and 270,000 tonnes in the long term (40 Years). For Wood Green it is anticipated to save 90,000 tonnes of carbon in the short term (15 years) and 363,000 tonnes long-term (40 years).

- 6.33. In terms of air quality: gas-based heating currently accounts for around 25% of emissions of nitrous oxide (NOx) in Haringey. NOx can cause lung irritation, and lower people's resistance to respiratory infections such as pneumonia and COVID 19. While modern gas boilers are cleaner, the technical limits are now being reached and continued use of gas boilers will continue to impact on the borough air quality. The DEN can deliver energy with close to zero additional air quality impacts.
- 6.34. From an economic perspective, the DEN is not expected to be more expensive to residents than the current high carbon alternative (gas boilers) and can be beneficial to the local economy. There are also opportunities for local job creation during the construction and then the operation of the network. These will be explored further if the OBCs are approved and designed into the FBC.
- 6.35. As with gas and electricity networks, much of the cost of the DEN is in the distribution network. For a DEN the initial investment required to connect customers is significant and the cost depends on the overall density of the scheme and how quickly the demand materialises to share the cost of the network. However, in other parts of the country, similar to Haringey, well designed and structured heat networks have been shown to deliver low carbon energy in a cost-effective manner.
- 6.36. From a social perspective a local DEN can offer profits and growth opportunities in the long term that bring greater benefit to the local community within the borough, compared to gas and electric networks where profits flow away from the borough. There is a social cost to DENs in that they form a natural monopoly. Consumer protection can be ensured through robust price protection, guaranteed standards of service and independent recourse e.g. through an ombudsman. The Council will be able to ensure suitable measures to protect consumers are included during the set-up of HESCO. See also paragraph 5.14.
- 6.37. The DEN project will also provide community wealth through: apprenticeships, local job creation, local supply chains between schools, businesses, and a return to the council from turnover in the long term which is set out in the Strategic Case.

Customer Charges

6.38. The HESCO will sell heat to a range of customers including private sites, and HRA sites - tenants and leaseholders. Heat will be sold to either directly to the occupier (businesses / homeowners), or to the building landlord who in turn will then sell the heat on to building users / occupiers. It is expected that in most instances the second of these two options will be used by the HESCO including in the Council's own housing. In doing this the landlord can ensure that their own policies and practices for dealing with issues such as debt



management are followed. This approach allows the Council greater flexibility for implementing new initiatives such Ethical Debt Reduction Policy.

- 6.39. The OBC has modelled the sales of heat by the HESCO to a range of customers. It is important to understand the core principles of HESCO's assumed charges. These are:
 - a) The total charges for heat supply from HESCO will be no more than the costs that would have otherwise been incurred by the building owner/occupier for heat supplies from the cheapest long-term alternative and permissible system on a whole life cost basis.
 - b) HESCO's charges will also vary from site to site because the cheapest long-term alternative and permissible system varies from site to site (e.g. an individual air source heat pump (ASHP) in a new building or a communal gas boiler in an existing block)
 - c) HESCO's charges will be split¹ between the building owner / landlord and the occupant(s) and reflect how the costs of the alternative heating system would have been shared
 - d) The share of HESCO's charges payable by the occupant will reflect energy costs and will vary with consumption. They will be structured as a fixed charge (£ per month) and a variable charge (£ per unit of energy used)
 - e) The share of HESCO's charges payable by the building owner reflect that often a building owner is legally obliged to provide and maintain heating infrastructure on behalf of occupants. It will be structured as a fixed cost (i.e. independent of energy use)
 - f) The charges will change over time e.g. if the cost of gas increases, charges will also increase
 - g) The HESCO model and charging will not differentiate between Council sites and non-Council sites
- 6.40. For new build schemes, the cheapest permissible alternative to a DEN is an ASHP. The choice is limited by planning and building regulation standards for new build homes. For the existing buildings included in the OBC, the cheapest available alternative is always a large gas boiler.
- 6.41. Communication of the HESCO charging principles and transparency of charges for users is vital. This will ensure that users understand the true benefits of the network and that the HESCO can demonstrate that heat charges are more affordable than a long-term permissible alternative system. During the delivery of the FBC, a communications strategy and action plan will be delivered to ensure that users and residents are kept well informed.

¹ Either HESCO will charge the landlord/building owner who will recharge the occupant or HESCO will have arrangements to charge both the landlord/building owner and the occupant directly.



Energy Markets

- 6.42. Although the project will source the majority of its heat from the Energy Recovery Facility (ERF which it is currently proposed by NWLA), it will still be exposed to wider energy markets.
- 6.43. That is because the price paid for heat from the ERF will be linked to the wholesale price for electricity. Historically, this has been closely linked to the gas market. In addition, the project will obtain a small proportion of its heat from gas boilers (used as back-up when the ERF cannot supply and as top-up in very cold weather).
- 6.44. HESCO revenues are based on the avoided cost of providing heat and will be indexed over time to reflect changes in the gas and electricity markets as applicable.
- 6.45. This is covered in more detail in the OBC which suggests that the project is robust to changes in wider energy markets, but the next phase of work will include more detailed analysis of the exposure to energy markets.

Council owned energy company

- 6.46. The role of the Council as funder and heat supplier is explored in the Commercial Case of the OBCs. The Commercial Case considers possible options from a sliding scale of fully public sector (Council in-house) towards fully private sector and concludes that a Council owned company is the optimal option. The working title for this is Haringey Energy Service Company (HESCO).
- 6.47. There are extremely limited opportunities to involve third parties in these roles at the outset of the project. This is due to the need to start construction within the short-medium term and the Council having insufficient control over a customer base to start the process of selecting third party investors/heat suppliers at this time. Therefore, the Council must take a significant role in the project (see also section 5 above, alternative options considered)
- 6.48. There are also good reasons for the Council to deliver the scheme:
 - a. Delivery aligns with several Council objectives including in the Borough Plan and Climate Change Action Plan
 - b. Council ownership addresses concerns over unregulated monopolies and examples of poor consumer outcomes found on some private sector monopoly DENs
- 6.49. Additionally, there are good reasons for the Council to set the scheme up via a company structure rather than delivering the scheme in-house:
 - a. It is a requirement of the central Government funding that the scheme is delivered through a company
 - b. The Council has commitments in the Borough Plan to consider set-up of an energy company (see also Section 7).



- c. A company provides clearer separation between the commercial activities of the company and the Council's wider activities (a blurred line can lead to unintentional subsidy and issues with Subsidy Control)
- 6.50. Further analysis on the options for the delivery vehicle are set out in the OBCs. If the recommendations on the OBCs are confirmed, the structure of this vehicle will be developed further, and a final proposal will be brought back to Cabinet for determination in due course.

Accepting Heat Network Investment Funding (HNIP) through the Government Department for Business, Energy and Industrial Strategy (BEIS)

- 6.51. The HNIP scheme offers funding from central Government department BEIS to heat network projects in the form of grants and loans to eligible projects.
- 6.52. The HNIP funding is broken down into grants and loans and each tranche has its own conditions which are appended to the OBC.
- 6.53. The Council will receive commercialisation funding which shall be used to deliver the development of the FBC, and construction grant funding to facilitate the construction of DEN infrastructure. The Grant Conditions further distinguish the grant funding between:

	Tottenham Hale	Wood Green	Total
Commercialisation grant funding	£1.2m	£0.85m	£2.05m
Construction grant funding	£3.4m	£7.18m	£10.58m
Construction Loan	£12.65m	£0.85m	£13.5m
			£26.13m

Paragraphs 6.54 – 6.70 are contained in the exempt part of this report.

Heat supply agreement

- 6.71. This report seeks Cabinet approval for officers to negotiate the terms for the purchase and sale of heat through Heat Supply Agreements, undertaken in accordance with the existing Council Regulations and brought back to Cabinet for approval as appropriate.
 - 6.72. Where the Council is negotiating arrangements with developers (new housing blocks) and existing buildings (including the Council's own housing estates), this will be done in accordance with Planning Obligations, and all relevant legal obligations. Heat supply agreements relate to recommendation 3.9.

Paragraphs 6.73 – 6.78 are contained in the exempt part of this report.

7 Contribution to strategic outcomes



- 7.1. The development of the DEN project is reflected in Borough Plan commitments which require the Council to explore DENs.
- 7.2. The Council declared a Climate Emergency in March 2019 and adopted a Climate Change Action Plan (CCAP) in March 2021. The DEN Project is the biggest single contributor to delivering the CCAP goal of being net zero carbon by 2041.
- 7.3. There is policy support for the development of DENs across a number of national, local and regional priorities. For example, the National Planning Policy Framework, the London Plan and the Council's Local Plan require planning authorities to progress DENs where viable. Working in partnership with the GLA and other boroughs also shows that a large trans-borough DEN fed from the NLWA's ERF is the leading method for decarbonising heating in Haringey.
- 7.4. The Council's Affordable Energy Strategy (2020) highlights that DENs can be a more efficient and affordable form of heat than the alternatives. Alongside this, municipally owned energy companies can often be designed to support those in fuel poverty with direct and indirect financial support.
- 7.5. A similar approach was taken with the North Tottenham DEN and Cabinet approval of an OBC for this area in 2017.
- 7.6. Further detail on the strategic role that DENs play can be found in the Strategic Case section of the OBC.

8 Statutory Officers comments

Finance

Paragraph 8.1 is contained in the exempt part of this report.

8.2. Whilst the FBC is not being agreed at this stage the OBC as appended to this report at Appendix 2 includes current projections of the financial impact of the project, both for the Council, and the special purpose vehicle which will be set up to deliver this project (working title HESCO). The FBC approval will require the Council to make loans to the HESCO from its own resources (assumed to be raised from the Public Works Loan Board), which will be repaid to the Council following the HESCO becoming operational. The Council will charge the HESCO a margin over and above the PWLB lending rate in line with specialist advice received and will receive repayments from the HESCO for the principal borrowed, and interest charges. Notwithstanding this margin, it should be emphasised that the Council would be progressing the DEN initiative for social and environmental reasons, and not for financial returns. In the latter years of the project (currently assumed to be in the region of 40 years), once all loans to the Council have been settled, the HESCO will pay dividends to the Council. As modelled the HESCO is anticipated to repay all of its debts to the Council (covering passthrough of HNIP loans which are repaid over a 25yr period from when the system is operational and shareholder loans which are repaid over a longer period). Analysis shows the shareholder loans will be



repaid after 35 years for Tottenham, and 38 years for Wood Green, and will pay dividends after this point. DEN project has been allowed for within the Council's capital programme, and treasury management strategy, and this PWLB borrowing is consistent with the approved strategy.

8.3. It should be noted that the OBC includes consideration of the HESCO paying business rates (as a cost to the vehicle), and the Council retaining 30% of these (reflecting the current position). The models presented clearly demark any currently projected financial benefit to the Council from business rates retention. As set out in para 4.10.13 – 4.10.18 of the OBC, it is noted that there have been recent government announcements regarding changes to the business rates system with regards to district energy networks, and the potential for business rates to not be payable by the HESCO. While further detail on these announcements is awaited nothing specific has been modelled, however it is anticipated that should business rates not be payable by the HESCO this would have an overall positive impact on the financial position of the HESCO, and the Council. This has been modelled within the sensitivity analysis within the OBC at Appendix M and Appendix N.

Financial impacts on the Council

- 8.4. The current base case projections are that the Tottenham and Wood Green DENs will have a net benefit to Council budgets of £9.5m and £9.0m respectively in net present value terms over the 40-year life of the projects: this is the net financial impact on the Council, taking into account loans made to the HESCO, repayments of these loans, interest payments, dividend payments, and the assumed benefit from additional business rates received. Excluding business rates retention, the net present value of the two DENs is projected to be £6.8m and £6.9m.
- 8.5. The HESCO will be significantly indebted to the Council until the latter years of the project when all loans are settled and the vehicle begins to make dividend payments. The OBC at Section 4 shows projected cashflows for the two projects for Tottenham and Wood Green. These tables demonstrate the loans the Council will make to the HESCO, and the Council's peak debt exposure: £12.3m for Tottenham and £23.2m for Wood Green. This debt will be repaid after 35 years for Tottenham and 38 years for Wood Green.
- 8.6. The impact on Haringey revenue budgets will be positive as the interest rate charged to the HESCO will be higher than the interest rate paid to the PWLB. This benefit will vary over the 40-year life of the project dependent on the level of indebtedness at different points in time, and dependent on the prevailing PWLB rates at the time when the borrowing is raised. The current business case shows that at no point in the projects lifecycle will the project create a net pressure for General Fund revenue budgets. Assuming that the projects proceed to FBC stage and is approved, this betterment will be reflected in the Council's budget and MTFS.

Finances of the HESCO



8.7. The OBC includes modelling of the finances of the HESCO. This demonstrates that both the projects are viable-as they are modelled to repay their debt to the Council over a 40-year period. The vehicles have a net negative present value, which is to be expected, given the vehicles are assumed to be solely owned by the Council, and any residual financial benefits following the discharge of borrowing will ultimately be transferred to the Council via the payment of dividends, which does not take place until late in the project life. Although the vehicles have a negative net present value, they do generate a positive Internal Rate of Return (IRR), a measure of the return on the project overall.

Summary

8.8. It should be noted that this report and the attached documents represent an indepth outline business case based on all the best knowledge available of the factors and attributes for the implementation of the schemes at this time. Should this report be agreed, this work will be further developed. There have been instances in other such DENs where the move from OBC to FBC has highlighted the financial non viability of the project and has necessitated further dialogue with the government for additional grant funding in these circumstances.

Procurement

- 8.9. Strategic Procurement notes the contents of this report and supports its recommendations for the approval of an Outline Business Care to enable progression of DENs in both Tottenham Hale and Wood Green and the reduction in carbon emissions and other benefits entailed as outlined at 6 above
- 8.10. Much of the project will be grant funded reducing the financial risk to the Council and providing best value in bringing a key environmental benefit to the borough in line with the Council's strategic objectives. Approval of the OBC will enable tranches of funding ear marked for these projects to be released.
- 8.11. The receipt of grant funding is permitted under Contract Standing Order 17.1. Any payment of monies under the grant to external organisations carrying out works or services must adhere to CSO 9.01 (appropriate competitive processes) and 9.07 contract award.

Legal

- 8.12. This report seeks approval of the Outline Business case for Tottenham Hale and Wood Green DENs to enable the projects to progress to FBC.
- 8.13. In considering these recommendations, the Cabinet needs to take account of the Council's fiduciary duties to local residents and taxpayers. As such, proper consideration needs to be given to the risks, rewards and potential future liabilities of the proposals, which are the subject of this report. The Cabinet should have regard to the Council's obligations to carry out its duties in accordance with the principles of best value and to ensure its functions are



exercised having regard to a combination of economy, efficiency and effectiveness.

Powers

8.14. The Council has broad powers to establish District Energy Networks ("DENs") to; to enter into agreements for the supply of heat and electricity; to establish a company to trade; to borrow funds and on-lend to any such company. These powers are explained in more detail in Appendix G of the OBC and are summarised below.

Local Government (Miscellaneous Provisions) Act 1976

- 8.15. Section 11 of the Local Government (Miscellaneous Provisions) Act 1976 ("1976 Act") is the principle power in relation to heat and electricity and enables the Council to produce heat or electricity or both to:
 - establish and operate generating stations or installations for such production;
 - buy or otherwise acquire heat;
 - use, sell or otherwise dispose of heat produced or acquired or electricity produced in association with heat by the Council; and
 - enter into and carry out agreements for the supply of such heat to premises within or outside of the Council's area.
- 8.16. Sections 11 (4) and 11 (5) of the 1976 Act provide for heat infrastructure and the power for the Council to construct, lay and maintain heat pipes within the street and within other land, and to break open roads to lay pipes and carry out associated works, within or outside of the Council's area.
- 8.17. When relying on section 11 of the 1976 Act, the Council is not required to establish a trading company in order to sell heat and electricity, irrespective of whether profits are generated.

Localism Act 2011

- 8.18. Section 1 of the Localism Act 2011 ("LA 2011") the general power of competence" ("GPC") provides: "A local authority has power to do anything that individuals generally may do" even if:
 - it is unlike anything else the authority may do;
 - it is unlike anything that other public bodies may do; or
 - it is carried out in any way whatever, including:
 - anywhere in the UK or elsewhere;
 - for a commercial purpose or otherwise for a charge, or without charge; and



- for, or otherwise than for, the benefit of the authority, its area or persons resident or present in its area.
- 8.19. The GPC is a very broad power. However, it does not enable a local authority to get around any restrictions, limitations or prohibitions in other powers, and there are constraints on charging and trading under sections 3 and 4 of the LA 2011.

Local Government Act 2003

- 8.20. Section 1 of the Local Government Act 2003 ("LGA 2003") permits the Council to borrow for any purpose relevant to their functions under any enactment or for the purpose of the prudent management of its financial affairs. So long as the authority is borrowing for a function it can on-lend to a corporate vehicle in addition to making loans from other funding services.
- 8.21. Section 12 of the LGA 2003 provides the Council with a separate power to invest for any purpose relevant to its functions. In exercising its powers of investment, the Council must have regard to the statutory guidance issued by the Secretary of State and specified guidance published by CIPFA.

Local Government Act 1972

- 8.22. Section 111 of the Local Government Act 1972 ("LGA 1972") permits the Council to do anything (whether or not involving the expenditure, borrowing or lending of money) which is calculated to facilitate, or is conductive or incidental to, the discharge of any of its functions. In conjunction with S.11 of the 1976 Act, the Council may rely on S.111 LGA 1972 to establish the HESCO to deliver the DEN.
- 8.23. It is noted that a report will be brought back to Cabinet on the establishment of the HESCO in due course. Legal advice should be sought on the establishment of this Special Purpose Vehicle.

Heat Network Investment Partnership ("HNIP") Funding

8.24. This report seeks approval of Heat Network Investment Partnership ("HNIP") funding in the form of commercialisation and construction grants and construction loans. To access this funding the Council will be required to enter into a Funding Agreement with the Department for Business, Energy and Industrial Strategy (BEIS) and their Agent, Triple Point. The terms of the Funding Agreement at Appendix 3 have been agreed with BEIS and Triple Point and these are summarised in Appendix 4. The Cabinet is asked to give delegated authority to the Director of the Director of Housing, Regeneration and Planning, in consultation with the Monitoring Officer and Chief Finance Officer, to approve any final minor amendments to the Funding Agreement.

Work from Outline Business Case to Full Business Case

8.25. This report proposes that the Council enter into an Adoption Agreement with developer Argent LLP ("Argent") pursuant to the terms of the section 106



Agreement in place in relation to land comprising 5 plots in Tottenham Hale District Centre. The Adoption Agreement will require the developer to install the heat network infrastructure on the relevant TH Development Sites to the Council's requirements. The Council is required to adopt the heat network infrastructure once the relevant tests etc. have been completed to the Council's reasonable satisfaction. Following adoption, the Council shall take a transfer of the ownership (and responsibility) for those relevant parts of the heat network (which will enable the future connection and expansion of the DEN).

Consultation

- 8.26. Section 105 of the Housing Act 1985 imposes requirements on a local authority to consult tenants on matters of housing management, to consider representations made to them by tenants or their representatives and to publish details of the consultation arrangements. Section 20 of the Landlord and Tenant Act 1985 sets out the consultation requirements in relation to leaseholders.
- 8.27. Section 3 of the Local Government Act 1999 requires the Council to make arrangements to secure continuous improvement in the way in which its functions are exercised, and to consult about how to do so. This requires the Council to consult about high-level decisions, policies and approaches, before there has been time and effort expended pursuing implementation. In fulfilling this Best Value Duty the Council will be required to consult representatives of a wide range of local persons:
 - representatives of council taxpayers and business rate payers;
 - those who use or are likely to use services provided by the authority;
 - those appearing to the authority to have an interest in any area within which the authority carries out functions.
 - 8.28. It is noted that community engagement is to be undertaken with all effected residents. Legal Services will continue to advise officers on the adequacy of any consultation that is proposed to ensure it is compliant with these statutory obligations.
 - 8.29. The Cabinet must also make its decision having due regard to the Council's public sector equality duties ("PSED") pursuant to the Equality Act 2010. This requires the Council, in the exercise of its functions, to have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. The protected characteristics are age, disability, gender reassignment, sex, race including ethnic or national origin, colour or nationality, pregnancy and maternity, marriage and civil partnership, sexual orientation, religion or belief including lack of belief. The Council will also, in delivering the project, seek to reduce the inequalities of outcome which result from socio-economic disadvantage. The PSED is a continuing duty and equality considerations should be considered at the different stages of the programme.



Paragraphs 8.30 - 8.39 are contained in the exempt part of this report.

8.40. In light of the above, coupled with the contents of the exempt report and the confirmation given at paragraph 8.7 that the projects are financially viable, there are no legal implications preventing the Cabinet from agreeing the recommendations contained in this report.

Equality

- 8.41. This recommendation to Cabinet to approve the OBC and progress more detailed work will allow equalities issues to be considered in more detail in advance of further decisions being made. Any further delegated authority and Cabinet decisions will need to consider equality issues and some may require detailed Equality Impact Assessments.
- 8.42. The Council has a Public Sector Equality Duty (PSED) under the Equality Act (2010) to have due regard to the need to:
 - Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
 - Advance equality of opportunity between people who share those protected characteristics and people who do not
 - Foster good relations between people who share those characteristics and people who do not.
- 8.43. The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, Page 10 of 12 religion/faith, sex and sexual orientation. Marriage and civil partnership status apply to the first part of the duty. In the discharge of its functions, the Council also considers the impact on those who experience socioeconomic disadvantage with regards to the three duties of the PSED.
- 8.44. The planned locations for DENs in Haringey in the OBCs are Tottenham Hale, and Wood Green. It follows that those most affected by the decision will be the residents of these areas. Haringey Ward Profiles indicate that these areas tend to have younger populations with higher proportions of residents coming from BAME communities.
- 8.45. The overall likely impact of the DEN Project will be to reduce local carbon emissions and air pollution. It is notable that climate change and air quality are likely to have disproportionate impacts on vulnerable groups. There is currently no indication that this decision will have any adverse effects for any individual or group who share protected characteristics.

9 Use of Appendices



Appendix 1	Outline Business Cases for DENs in Tottenham Hale and Wood Green	Redacted
Appendix 2	Outline Business Cases for DENs in Tottenham Hale and Wood Green	In exempt report only
Appendix 3 (a)	Grant Funding Agreement	In exempt report only
Appendix 3 (b)	Loan Funding Agreement	In exempt report only
Appendix 4	Funding Agreement summary	In exempt report only

Appendices to the Outline Business Cases for DENs in Tottenham Hale and Wood Green

Appendix A	What is District Energy?	Public (no exempt information)
Appendix B	Markets and Policy	Public (no exempt information)
Appendix C	Benefit Realisation Strategy	Public (no exempt information)
Appendix D	Summary of Plant Strategies	Public (no exempt information)
Appendix E	Tottenham Hale TEM Inputs	In exempt report only
Appendix F	Wood Green TEM Inputs	In exempt report only
Appendix G	The Council powers to deliver DENs (Legal)	In exempt report only
Appendix H	Subsidy Control (Legal)	In exempt report only
Appendix I	Considerations regarding pipe laying (Legal)	In exempt report only
Appendix J	Procurement Advice (Legal)	In exempt report only
Appendix K	Wood Green financial model assumptions	In exempt report only
Appendix L	Tottenham Hale financial model assumptions	In exempt report only
Appendix M	Wood Green sensitivity analysis	In exempt report only



Appendix N	Tottenham Hale sensitivity analysis	In exempt report only
Appendix O	Appraisal of funding options	In exempt report only
Appendix P	Optimum bias	Public (no exempt information)
Appendix Q	Planning Issues (Legal)	In exempt report only
Appendix R	LZC technology	Public (no exempt information)

10. Local Government (Access to Information) Act 1985

Relevant documents

10.1. The following documents are referred to in this report and are central to its recommendations:

Haringey Local Plan including Tottenham Area Action Plan (AAP) <u>https://www.haringey.gov.uk/planning-and-building-control/planning/planning-policy/local-plan</u>

London Plan https://www.london.gov.uk/what-we-do/planning/london-plan

The National Planning Policy Framework

https://www.gov.uk/government/publications/national-planning-policy-framework--2

North Tottenham Outline Business Case Cabinet Report January 2017

https://www.minutes.haringey.gov.uk/documents/s90564/North%20Tott%20DEN %20Cabinet%20Report%20160117_public%20clean%2018.30.pdf

Haringey Affordable Energy Strategy (2020)

https://www.haringey.gov.uk/sites/haringeygovuk/files/affordable_energy_strategy_2020-2025.pdf

Haringey Climate Change Action Plan (CCAP)

Development Control Order (DCO) for North London Waste Authority's new ERF in Edmonton

The Lee-Valley Opportunity Area Planning Framework <u>https://www.london.gov.uk/what-we-do/planning/implementing-london-plan/opportunity-areas/opportunity-areas/upper-lee-valley</u>



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Reasons for exemption

- 10.2. Part B of this report is not for publication by virtue of paragraphs 3 and 5 of Part 1 of Schedule 12A of the Local Government Act 1972 as it contains information classified as exempt under Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.
- 10.3. In all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

