

Report for: Cabinet Member Signing – Lead Member for Placemaking and Local Economy

Item number: 6

Title: Selby Urban Village - Procurement strategy for heat supply arrangements

Report authorised by: Jess Crowe, Corporate Director for Culture, Strategy and Communities

Lead Officer: David Sherrington, Head of Estate Renewal

Ward(s) affected: Bruce Castle

Report for Key/

Non Key Decision: Key decision

1. Describe the issue under consideration

- 1.1 This paper sets out the strategy for procuring contracts with Lee Valley Heat Network Operating Company Limited (company number: 09763702), referred to by their trading name as 'Energetik' in this report, for the necessary connection and supply of heat, and potential management and maintenance services for the residential heat network at Selby Urban Village and seeks agreement of a route to market.

2. Recommendations

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It is recommended that the Cabinet Member for Placemaking and Local Economy:

- 2.1 Approves the commencement of a mixed procurement strategy (i.e. works, supply and services) and direct negotiations with the district heat network, Lee Valley Heat Network Operating Company Limited (company number: **09763702**) concerning the connection, supply and potential management/ maintenance agreements for 40 years for the Selby Urban Village scheme. The potential agreements are as set down in Section 5.14 and 5.15.

3. Reasons for decision

- 3.1 Cabinet approved the overall design concept and sustainability aims behind the Selby Urban Village Project on the 19 September 2023 Cabinet Report: 'Contract award to KCA for design and architectural services for the Selby Urban Village masterplan'. Section 8, 'Carbon and Climate Change' of that report sets out that the energy strategy of the detailed Planning Applications would be developed in line with the energy policies of the London Plan, LBH and LBE, to achieve a zero-carbon target, and in accordance with the London

Plan's energy hierarchy. These policies and the project's planning approvals require connecting to a District Energy Network.

- 3.2 In the subsequent Cabinet Member Signing Report 'Gateway 0 Report - Phase 2, Selby Urban Village, N17 – Bruce Castle Ward' on 19 June 2024, para 8.12 notes "A communal heating system is the preferred solution, with connection to the local District Energy Network. Further work will be undertaken to establish if this is the best option for the Council and its residents". Work undertaken since that decision, confirmed that due to the nature of the scheme and policy requirements, the best option remains to connect to the Energetik network operating in LB Enfield. Further detail on this can be seen in para 5.1 and Section 6.
- 3.3 Given the strong rationale to approach Energetik, officers have investigated the Procurement, Legal and Other issues and are recommending a way forward based upon the overall context.
- 3.4 The proposed Procurement Strategy is set out in this paper and requires Cabinet Member approval based on CSO 2.01(b).
- 3.5 The proposal is for a mixed procurement covering the connection and supply arrangements for both the housing and non-residential elements of the development. A mixed procurement means the procurement is for works/ services/ goods. It is also a mixed procurement made up of public contracts and utility contracts (the housing elements are utility contracts by virtue of the Procurement Act 2023 Schedule 4, Para 1a). Further detail on the mixed procurement approach and rationale is set out in the exempt report.
- 3.6 The nature of the mixed procurement means this procurement is exempt from procurement regulations requiring competitive processes. The rule for mixed procurement (where it is not realistic to separate it out) is to apply the rules from the largest element of the procurement to the entire contract. The largest element of this mixed procurement is the utility services element. In reviewing the utility services parts of the contract and considering the exemptions in Schedule 2 of the Procurement Act 2023, the utility contracts are covered by exemption 31.
- 3.7 Hence the entire procurement is exempt from the procurement regulations and there is no requirement to run a competitive process/publish contract notices. Note that Haringey's internal contract standing orders still apply, but do not require a competitive process unless procurement regulations require one.
- 3.8 It is important this this procurement process is commenced shortly and completed to align with the timetable for the Selby Urban Village main works contractor onboarding (March – April 2026). This is to ensure that Energetik can provide necessary oversight over Stage 4 technical design work undertaken by the main works contractor, relating to the heat supply infrastructure.

- 3.9 The expectation, assuming favourable negotiations with Energetik, is that a report would return to the Lead Member, Section 151 Officer and Corporate Director for award of contract, which will contain information on the final negotiated terms and conditions for the various contract types for heat supply arrangements. Should a different approach be required, following those negotiations, the decision on an alternative energy strategy will return to Cabinet for approval. Further detail is found in the exempt report under the risks and mitigation.
- 3.10 Work is being undertaken to mitigate against potential risks associated with the connection to the District Energy Network and further detail on risks and mitigation can be found in the exempt report.

4. Alternative options considered

- 4.1 **Progress with a different heating solution and not a district heat network:** The GLA's London Plan includes a hierarchy that is applied to how new developments are heated. The London Plan policies show a clear preference for connecting to existing heat networks such as Energetik where it is viable to do so. Both Haringey and Enfield's planning policies have similar requirements. As part of the earlier design development process other options were reviewed however, given planning policy requirements, connecting to the most local Heat Network, i.e. Energetik, was chosen as preference. This approach was embedded into the Planning Applications to LB Enfield and Haringey and subsequent approval from the 2 authorities and was part of the planning referral to the GLA. However, to mitigate against the risk of a non-connection to the district heat network, the council is still exploring alternative options for the heat supply to ensure these are fully understood as a fall back option.
- 4.2 **Investigate connecting to a different District Heat Network supplier:** As outlined above Planning policy directs us to connecting to a District Energy Network such as Energetik. While there are other similar suppliers/ operational systems in London, the capital costs (which would fall to LBH) and feasibility of running pipework the distances required from these other locations (e.g. Stratford, Brent) to Selby Urban Village site render them unviable.
- 4.3 **Procure the connection to and supply from heat network separately:** it was considered whether the mixed procurement could/should be disaggregated. There are robust commercial reasons for negotiating the connection and supply arrangements for the site as a whole and simultaneously, as set out in the exempt report.
- 4.4 **Procure connection to Energetik heat network, but do not procure service agreement (management and maintenance) from Energetik (e.g. management of heat supply to be by Haringey Council or another):** It was considered whether the council should choose to directly operate the secondary network for the residential portion of the scheme. Technical advice received notes that this would not currently be the preferred option,

predominantly due to financial implications: with supply and maintenance being more cost effective than supply and separate in-house maintenance. This will continue to be explored and tested during the negotiation period.

- 4.5 **Run a competitive tender process for the district heat network connection and supply:** it was considered whether the council needed to run a competitive process for connection, despite not being required to by the Procurement Act. It was concluded that this was unlikely to generate an interest beyond Energetik and generate significant risk to programme and funding. Given the planning context and the commercial reality of connection charges and distances, Energetik are the only likely supplier.

5. Background information

5.1. The Selby Urban Village project is a partnership between Council and The Selby Trust (local charitable organisation) to transform the Selby site and Bull Lane Playing Fields into a new accessible and well-connected neighbourhood.

5.2. The Selby Urban Village (SUV) development consists of Phase 1 delivering a new community building (the new Selby Centre), a pavilion building with changing rooms, improved park and sports pitches. Phase 2 will deliver 202 new Council homes alongside a small commercial unit of 112 sqm. The development will take place on the existing Selby Centre site and Bull Lane Playing Fields. The build contractor for Phase 1 and 2 is currently being procured. Phase 1 works are scheduled to commence in March 2026 and expected to complete by December 2027 and Phase 2 are expected to begin in September 2027 with completion anticipated by February 2030.

Choice of heating system at SUV

- 5.3. Selby Urban Village sits across both LB Enfield and Haringey. Phase 1, the new community centre, park and sports pitches, sits in LB Enfield and Phase 2, the 202 new homes and small commercial unit, sits in Haringey. Both schemes have had to be referred to the GLA as part of the planning process. Respective parts of the scheme have received planning approval from Enfield Council and Haringey Council, and from the Greater London Authority (GLA).
- 5.4. The choice of hot water generation and supply is based on a number of key factors including
- Regulatory restrictions on choice (e.g. from Building Regulations and planning policy)
 - Cost to developer/building owner and occupants
 - Consumer protections
 - Complexity / management issues
 - Environmental impact

As part of the design process Haringey officers and the Design Team considered various options for hot water supply including Air Source Heat Pumps (ASHP), Ground Source Heat Pumps (GSHPs).

- 5.5. The GLA's London Plan includes a hierarchy that is applied to how new developments are heated. Both Haringey and Enfield's planning policies have similar requirements. The planning authorities are of the view that SUV should connect to Energetik unless it can be shown that their connection offer is not fair and reasonable. This could only be demonstrated following negotiation with Energetik and subsequently additional submissions to the planning authorities.
- 5.6. Looking across a variety of factors the District Heat Network based option was taken forward as first preference. Other options were tested and appraised but connection to Energetik overall was the best realistic solution.
- 5.7. The preference for a connection to Energetik was therefore highlighted in paragraph 8.12 of the Cabinet Member Signing Report 'Gateway 0 Report - Phase 2, Selby Urban Village, N17 – Bruce Castle Ward' on 19 June 2024. The design of the scheme has since progressed on the basis that it will connect to Energetik.
- 5.8. The detailed design and subsequent planning applications reflected this approach, and this is now captured in the planning approvals. In extremis we could seek to vary this approach but would have to demonstrate very clear and compelling reasons of a lack of reasonable and fair contract offer, as part of any attempt to revise this approach.

Background on Energetik DEN – How it Works

- 5.9. The Lee Valley Heat Network Operating Company Limited (company number: 09763702), referred to as their Trading Name 'Energetik', is fully owned by Enfield Council, and supported by government funding. It already supplies energy to around 1700 domestic customers as well as a hotel, various medical centres, and community spaces. The network has currently reached the nearby Joyce and Snells Estate (on Fore Street) with supply and Energetik is working on extending the site to the North Middlesex Hospital, north of the Selby Urban Village site. Further background and network expansion information can be found in [Energetik's June 2025 Business Plan Summary](#).
- 5.10. Currently all heat comes from large gas boilers located at Energetik's energy centre at the Edmonton Eco park. However, 90% of this gas use will be replaced by extremely low carbon heat from the Energy Recovery Facility (ERF) once this facility is complete. At this point it is not known when that will be, so decarbonisation remains a risk – further detail on this can be found in the exempt report.
- 5.11. Energetik will install the relevant pipeline outside of the site's boundary connecting the scheme to the network. This part of the arrangement with Energetik is described in this report as the "Connection Charge". These costs are allowed for in the overall development capital budgets of phase 1 and phase 2.

- 5.12. The pipework from outside of the site runs to a variety of substations on site. The pipework etc within the site boundary will be installed by the main works contractor. These costs within the red line boundary are also included in the capital budget for phase 1 and phase 2.
- 5.13. Once the infrastructure is in place and the scheme operative Energetik will supply heating/ hot water to the various elements of the scheme. For the purposes of this report these are called the “supply agreements”. Typically, this would be two contracts one relating to the Community facilities and one relating to the residential element.
- 5.14. Additionally, Energetik can provide a further service in that they will manage and maintain the system for the new homes. This report seeks approval to take forward these discussions as part of the procurement exercise. For the purposes of this report this agreement is known as the Service Agreement (management and maintenance). Energetik do not offer this service for the Community Facilities (Selby Centre, Pavilion).
- 5.15. It is anticipated that by 2027 Energetik will be regulated by Ofgem under the new heat network authorisation regime. This regulation will include appointment of supplier of last resort to mitigate risk of insolvency, monitoring of performance and necessary improvement if required, and powers to limit pricing of heat for domestic customers.

Contract Types

- 5.16. The table below sets out the potential different contract types with further details that we are seeking to enter into negotiation on. Further information on the negotiation process and risk can be found in the exempt report. Current estimated values for these contract types are also contained within the exempt report.
- 5.17. It should be noted that the final contract types may vary from the below. This will be set out clearly in the decision report seeking to award to the contract.

Contract working Title	Services	Capital or Revenue	Costs & Budget	Duration
Connection - Community Facilities	Installation of pipe work connecting Scheme to Eco Park	Capital	Contained within capital development costs	Construction period (2026-2030)
Connection - New Homes	As above	Capital	Contained within capital development costs	Construction period (2026-2030)
Supply – Community Facilities	Supply of heating and hot water to community facilities	Revenue	This is for bulk hot water supply for community facilities, with LBH contracting with Energetik. Energy/ hot	40 Years* (2030 – 2070) *Standard contract

			water and associated costs will be recharged via the lease from LBH to the Selby Centre leaseholder.	duration from Energetik
Service (Management & Maintenance) - New Homes	Management and maintenance of heat network in housing	Revenue	LBH would be contracting with Energetik for the Service, subject to agreeing acceptable terms. Supply would be billed to tenants and are not included in agreement/cost.	40 years* (2030 – 2070) *Standard contract duration from Energetik

Contract value

5.18. The contract value is set out in the exempt report.

6. Contribution to the Corporate Delivery Plan 2024-2026 High level Strategic outcomes

Resident experience and enabling success:

- 6.1. This procurement is a critical part of the SUV project which will contribute to
 - a) the building high quality sustainable homes outcome and the activity around new council homes; and
 - b) the zero carbon and climate resilient objective.
- 6.2. The services operation (management and maintenance) of the secondary network will contribute to the outcome of delivering reliable customer-focused resident housing services.

Carbon and Climate Change:

- 6.3. The recommendation to progress the connection of SUV to Energetik aligns with Haringey, Enfield and London policy on district energy networks.
- 6.4. Connecting SUV to Energetik is in line with the planning approvals for the site and is currently considered to deliver best value in how the development achieves zero carbon.

7. Statutory Officers comments (Director of Finance (procurement), Head of Legal and Governance, Equalities)

Finance

- 7.1. Finance comments are contained in the exempt report.

Procurement

7.2. Strategic Procurement (SP) note that this report relates to the approval to commence a procurement process as a direct negotiation with Lee Valley Heat Network Operating Company Limited (trading name: Energetik) for a contract involving a mixed procurement — comprising goods, services, and works. This procurement falls under the scope of utilities contracts, as defined in Schedule 4 of the Procurement Act 2023, specifically:

- *(1a) the provision or operation of fixed network for the provision of service to the public in connection with the production, transport or distribution of gas or heat*

Energetik, as a district heat network operator, clearly falls within this definition.

The Authority's proposed delivery model, which require further negotiation qualifies as an exempted contract under schedule 2 paragraph 31

- *(Exempts utilities contracts awarded for the purpose of further sale or lease to third parties, provided the utility does not have a special or exclusive right to sell or lease the goods, services or works purchased and the market is open. The reason for this exemption is that the purpose of acquiring the goods, services or works is not for the utility to carry out a utility activity itself. This exemption is not available where the utility awarding the contract is acting as a central purchasing authority)*

In the event the Authority progresses with this delivery model will be procuring goods, services, and works not for its own utility activity, but to enable Energetik to deliver heat services to third parties - residents and businesses.

SP support the recommendation to approve the commencement of a procurement process as a direct negotiation with Energetik in accordance with CSO's 18.01.2(c) & 2.01(b).

Legal

7.3. The Director of legal and Governance (Monitoring Officer) was consulted in the preparation the report.

7.4. Pursuant to the provisions of the of the Council's Contract Standing Order (CSO) 2.01(b), Cabinet has authority to approve the commencement of a procurement exercise where the value of the contracts to be procured is £500,000 or more and as such the recommendation in paragraph 3 of the report is in line with the Council's CSO.

7.5. Pursuant to paragraph 7.4 above and pursuant to CSO 0.08 a decision reserved for Cabinet may be taken by a Cabinet Member with the agreement of the Leader and as such the recommendation in paragraph 2 of the report requesting approval from the Lead Member for Placemaking and Local

Economy to the recommendation in the report is line with the Council's CSO so long as the Lead Member is taking the decision with the agreement of the Leader.

- 7.6. The Director of Legal and Governance (Monitoring Officer) see no legal reasons preventing the approval of the recommendations in the report.

Equalities

- 7.7. The Council has a Public Sector Equality Duty 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.
- 7.8. The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty. Although it is not enforced in legislation as a protected characteristic, Haringey Council treats socioeconomic status as a local protected characteristic.
- 7.9. The report is seeking approval of a procurement exercise for heat supply arrangements at Selby Urban Village, in order to be able to deliver heat to the community buildings and homes in the Selby Urban Village development, N17. The development is increasing the number of Council homes, which will have a positive impact on individuals on the housing register, especially families in need of two and three-bedroom homes, which includes people in severe housing need and people currently living in temporary accommodation. Data held by the Council suggests that women, young people, and residents from ethnic minority backgrounds are over-represented among those living in temporary accommodation. The N17 postcode also has high levels of socioeconomic deprivation relative to the rest of the borough. As such, it is reasonable to anticipate a positive impact on residents with these protected characteristics.
- 7.10. With regards to the procurement exercise, the heat supply contractor will be obliged to have due regard for the need to achieve the three aims of the Public Sector Equality Duty as stated above. Appropriate contract management arrangements will need to be established to ensure that the delivery of the heat supply arrangements does not result in any preventable or disproportionate inequality.

Use of Appendices

- Appendix A - EXEMPT REPORT Exempt report is NOT FOR PUBLICATION by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 in that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information).

Background papers

- 15 July 2025: Cabinet Report 'Approval to tender a contract for the delivery of Selby Urban Village, N17'.
- 19 June 2024; Cabinet Member Signing Report 'Gateway 0 Report - Phase 2, Selby Urban Village, N17 – Bruce Castle Ward'