

Report to: Cabinet



Date of Meeting 9 July 2025

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Procurement of Legal Advisor and Financial and Commercial Advisor for Cranbrook District Heating Expansion Areas Project

Report summary:

This report is to notify Cabinet of two contracts that will both exceed £100,000:

1) Contract for consultant support for a Legal Advisor. The advisor will play a vital role in developing the legal aspects of the project, negotiating terms with counterparties and ensuring both the project and EDDC are protected from legal risks. The maximum expenditure on the contract will be £200,000. This represents 20% of the Commercialisation grant awarded by the Green Heat Network Fund.

2) Contract for consultant support for a Financial and Commercial Advisor. The advisor will play a critical role in developing scheme's financial model as well as updating the business case to ensure robust and justified financial and commercial structuring. The maximum expenditure on the contract will be £128,000. This represents 13% of the Commercialisation grant awarded by the Green Heat Network Fund.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

That Cabinet approves:

1. The letting of the contract to Bevan Brittan, to provide legal advice, with a total contract value of up to £200,000.
2. The letting of the contract to Global City Futures, to provide financial and commercial support, with a total contract value of £128,000.

Reason for recommendation:

To support the delivery of Cranbrook District Heating Expansion Project.

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Portfolio(s) (check which apply):

- ☐ Assets and Economy
- ☐ Communications and Democracy
- ☐ Council, Corporate and External Engagement

- ☐ Culture, Leisure, Sport and Tourism
- ☒ Environment - Nature and Climate
- ☐ Environment - Operational
- ☐ Finance
- ☒ Place, Infrastructure and Strategic Planning
- ☐ Sustainable Homes and Communities

Equalities impact Low Impact

Climate change High Impact

Risk: Low Risk; Appointing suppliers with prior involvement in the Interconnector Project significantly reduces the risk associated with the Expansion Areas Project. Their existing knowledge of the scheme's complexities and interdependencies ensures continuity and mitigates the potential for delays, misalignment, or duplication of effort across the two closely linked initiatives. The budget allocated within each work package includes a contingency allowance to accommodate any unforeseen variations. Funding for this work is being drawn from the ringfenced Green Heat Networks Fund (GHNF) Grant, which was specifically awarded to support this project.

Links to background information [30 April 2025 Procurement of Developer Advisor and Technical Advisor for Cranbrook District Heating Expansion Areas Project](#)

Link to [Council Plan](#)

Priorities (check which apply)

- ☐ A supported and engaged community
 - ☐ Carbon neutrality and ecological recovery
 - ☐ Resilient economy that supports local business
 - ☐ Financially secure and improving quality of services
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1. Background

- 1.1. The expansion of the Cranbrook heat network will supply heat to an additional c4,200 homes and 24,500m² of commercial space including three new schools at Cranbrook new town. The project will benefit from low carbon heat by connecting to the Energy from Waste facility (EFW) in Hill Barton and reducing reliance on gas. To further lower the carbon footprint of the scheme and support the delivery of a Future Homes/Buildings Standard compliant energy solution, a large-scale thermal storage facility will be constructed.
- 1.2. The network expansion will include new insulated heat pipe network, delivering approximately 34GWh of low carbon energy per year. The project team are coordinating with the developers of the Cranbrook expansion areas to develop a technical solution and delivery schedule that is in line with the first 'heat on' required.
- 1.3. The project will ultimately procure an Energy Services Company (ESCo) that will construct and operate the expanded network.

2. Funding Source

2.1. The project team have secured grant funding from the government's Green Heat Network Fund (GHNF) scheme. The award was allocated based on the initial technical work carried out by Anthesis and the Financial modelling supplied by 1Energy.

2.2. The grant awarded is in two parts as follows:

Commercialisation	Construction Award
£1,000,000	£5,950,310
Covers the cost of developing the project Business Case, including the technical, commercial, financial and legal work streams that are required to progress the project to a point where an ESCo can be procured.	Covers a contribution to the capital expenditure costs of building the network. This money will be on-granted to the successful ESCo who will fund the remaining costs of the network build out.

2.3. The project is in the commercialisation stage and therefore the costs of both the legal advisor and the financial and commercial advisor will be drawn down from the commercialisation budget.

3. Legal Advisor

3.1. Proposed scope:

- Developing the procurement strategy for the ESCo, ensuring compliance with public procurement law.
- Advising on EDDC's role and influence within the ESCo, including governance mechanisms such as a Golden Share.
- Structuring commercial arrangements, including tariff controls, risk allocation, and contract termination provisions.
- Ensuring compliance with GHNF funding requirements and structuring funding distribution mechanisms.
- Supporting negotiations and finalising agreements between EDDC, developers, and the ESCo to safeguard long-term project success.
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3.2. This commission is critical to ensuring that EDDC achieves a legally compliant, commercially viable, and future-proofed ESCo arrangement. Without expert legal and commercial guidance, the project could face challenges related to procurement risks, contractual misalignment, and funding compliance.

3.3. The appointment of a specialist legal advisor will ensure that the contractual framework protects EDDC's interests while enabling a competitive and investment-ready ESCo procurement process.

3.4. The appointment of the specialist legal advisor will be made via a direct award under the Crown Commercial Service (CCS) framework designated for Public Sector Legal Services.

Framework name/reference	CCS Wider Public Sector (WPS) Ref RM6240
Ability to direct award?	Yes
Participating Local Authorities	All UK Local Authorities

3.5. Bevan Brittan LLP, a listed supplier on RM6240, is considered the most suitable provider due to their existing involvement in the Interconnector Project. Their prior engagement has afforded them a comprehensive understanding of the scheme's context and established working relationships with key stakeholders. In addition, Bevan Brittan is currently engaged

in negotiations with E.On regarding the provision of heat to the expansion areas under the Interconnector Project Use of Systems Agreement. This continuity of involvement makes Bevan Brittan a preferred choice to continue providing legal support for the expansion areas project.

4. Commercial Advisor

4.1. Proposed scope:

- Updates to Interconnector Business Case
- Financial Modelling of Expansion Area Heat Network
- Financial structuring of scheme
- Financial risk management

4.2. EDDC requires specialist support to comprehensively revise the existing Green Book compliant Interconnector Business Case, ensuring it accurately reflects the latest technical and economic assessments, financial data, and market insights developed by the project team. Expert assistance is also essential in developing a robust financial model that demonstrates the project's viability and potential returns, thereby de-risking the procurement of the future ESCo.

4.3. Additionally, the Commercial Advisor will identify optimal financial structures, effective financial risk management approaches, and suitable tariff and funding strategies. These contributions will strengthen the project's financial credibility and improve market attractiveness.

4.4. Global City Futures has played a central advisory role in the Interconnector Project, having developed both the comprehensive business case and the detailed underlying financial model. The requirements of the Expansion Areas Project will necessitate updates to the existing financial model, as well as revisions to the business case, to ensure continued alignment and reinforcement of the Interconnector scheme.

4.5. Given their in-depth knowledge of the financial structure and their understanding of the project's complexities, Global City Futures is uniquely positioned to provide the necessary continuity and technical consistency. Accordingly, it is proposed that Global City Futures be appointed via a direct award through a Dynamic Purchasing System, such as the Crown Commercial Service's Low Value Purchasing System.

5. Summary

5.1. The Cabinet's endorsement of these appointments will enable the project to move forward through the commercialisation stage, working towards the successful expansion of the Cranbrook District Heating Network and supporting the broader goals of sustainability and efficiency in the region.

Financial implications:

The costs identified in this report are being funded from external grant.

Legal implications:

The proposals in this report are to award contracts through framework agreements that have been procured in accordance with Procurement legislation and which allow direct awards. This is in compliance with the Council's contract procedure rules.