

ABERDEEN CITY COUNCIL

COMMITTEE	Council
DATE	26 th June 2013
DIRECTOR	Pete Leonard
TITLE OF REPORT	Tillydrone Project
REPORT NUMBER:	H&E/13/043

1. PURPOSE OF REPORT

This report has been submitted to seek authorisation to continue progressing with the programme to install Combine Heat and Power (CHP) district heating in Tillydrone Multis, albeit with ongoing uncertainties over the level of grant funding contribution for the project.

2. RECOMMENDATION(S)

It is recommended that the Council:

- a) authorise Officers to continue with the programme to install CHP at Tillydrone;
- b) authorise Officers to implement mitigation measures to reduce the uncertainty over grant funding contribution;
- c) authorise Officers to proceed with issuing tenders for Energy Company Obligation (ECO) grant funding partner. The ECO grant funding partner will be working with the Council to manage the final grant application and ensure that the Council will receive the maximum carbon savings and grant funding from the project.

3. FINANCIAL IMPLICATIONS

Early indications had suggested that it was possible to secure up to 50% grant funding for the costs of the projects. There have been some developments on the grant funding application since the submission of the report to Housing and Environment Committee in March.

One of the changes during recent months was changes to the methodology used to calculate the carbon savings for the project. This change could potentially reduce the level of grant funding contribution to less than the 50% expected. At worse-case-scenario, the level of grant funding is 27%. However this is very unlikely to happen, based on past grant funding application of this nature. The level of grant funding will realistically be significantly more than 27%. There are a lot details yet to be finalised within the grant application and further comprehensive calculations to be undertaken.

Once the value of the shortfall is identified, a paper detailing the sources for funding will be submitted to Committee for consideration.

It is prudent at this stage to highlight this situation to the elected members and inform the mitigation measures taken to reduce the uncertainties.

Even in the remote eventuality of the worse-case-scenario in terms of grant funding, which inadvertently means that the Council will have to fund the shortfall, this project is still a worthwhile project to successfully complete as it will deliver benefits to the tenants in terms of affordable warmth and a more comfortable dwelling meeting the Scottish Housing Quality Standards. The Council will benefit from a prolonged life span of these multis with maximized occupancy, improved energy efficiency and overall contribution towards lowering the City's carbon footprint.

4. OTHER IMPLICATIONS

It is important that the project is progressed according to programme as one of the main criteria for successful grant funding is that the project is completed by March 2015.

5. BACKGROUND/MAIN ISSUES

A report was submitted in March for the Housing and Environment Committee which stated that there were early indications at that time that the Council may secure grant funding of up to 50% for the cost of installing CHP district heating at Tillydrone. A costed feasibility study has been carried out which shows the total capital cost of installing the CHP heating into all flats in these blocks would be £4.57million.

Since then there have been some developments with regards to the grant application which may now reduce the grant funding levels. At worse-case-scenario is the level of grant funding is 27%. However based on past experience on grant funding application of this nature, it is more likely that the actual grant funding would more than 27%. The actual funding levels will not be finalised until the ECO grant funding partner is selected through the procurement tendering process.

The Officers and Energy Management Team are tasked to mitigate the uncertainties surrounding the grant funding by appointing an accredited expert in carbon calculation relating to the grant application to accurately quantify the carbon savings for the project. This information will be used in the final grant application in collaboration with the selected grant funding partner.

One of the main criteria for a successful grant funding award is the ability to deliver the projects to programme and completion by March 2015. Therefore it is imperative that the Officers are authorised to proceed with the project programme.

6. IMPACT

The installation of CHP district heating will have a positive impact on the Council's Local Housing Strategy and Scottish Housing Quality Standard. It would also help deliver the Council's Fuel Poverty reduction targets.

The failure to secure grant funding and delivery the projects on schedule will also affect the Council's position in future grant funding applications.

By securing this grant funding, it will also attract further funding towards the private tenure, mixed tenure and solid wall/hard to treat dwellings.

7. MANAGEMENT OF RISK

An accredited, professional expert will be appointed to accurately quantify carbon savings for the project. This data will assist in the final grant application and provide some certainty over the level of grant funding the Council will be able to achieve.

8. BACKGROUND PAPERS

Report on Housing Capital Expenditure Budget 2013/14 submitted to Housing and Environment Committee on 12 March 2013 (Report No: H&E/13/009).

9. REPORT AUTHOR DETAILS

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