

## ABERDEEN CITY COUNCIL

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COMMITTEE	Communities, Housing & Infrastructure
DATE	27 August 2015
DIRECTOR	Pete Leonard
TITLE OF REPORT	Future Combined Heat and Power proposals
REPORT NUMBER	CHI/15/153
CHECKLIST COMPLETED	Yes

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### 1. PURPOSE OF REPORT

The purpose of this report is to inform the committee of future proposals for the further implementation of Combined Heat and Power (CHP) or district heating within the Council's housing stock.

### 2. RECOMMENDATION(S)

It is recommended that the committee:

- a) Note that approval was given by the Finance, Policy and Resources Committee on 9 June 2015 extend the existing CHP network in the Cornhill area to serve the two new build sites at the former Smithfield School and Manor Walk.
- b) Note that proposals to introduce CHP heating to the new build sites will present an opportunity in the near future for a number of existing multi storey blocks in the vicinity of those sites to be connected to the extended CHP network.
- c) Approve the proposals contained within the report to upgrade the heating in the cavity constructed blocks commencing in the 2016/17 financial year;
- d) Instruct the Director of Communities, Housing and Infrastructure to include adequate provision within the Housing Capital Expenditure budget 2016/17 to 2018/19 to cover the cost of the proposed works; and
- e) Await the outcome of the report by the Director of Communities, Housing & Infrastructure on the options appraisal of the City Centre multi storey blocks before making a decision on the installation of CHP for these blocks.

### 3. FINANCIAL IMPLICATIONS

The Energy Company Obligations 2015-2017 (ECO2), will cease to operate from 31 March 2017. This means that only those blocks where work is completed by 31 March 2017 may qualify for grant. At this stage there is no indication whether ECO2 will be replaced, or what the qualifying terms of any new grant provision might be. Therefore there can be no guarantee that those works planned for after 31 March 2017 may attract grant funding.

Costs for the replacement of heating in the blocks referred to in this report have already been included in the current versions of the Housing Asset Management model and the Housing Business Plan. These are gross costs, therefore, the funding of the proposed works is affordable for the Council whether grant is awarded or not.

The securing of grant funding, whilst beneficial to the Council, will be most effective in encouraging private owners to participate in the proposed works.

### 4. OTHER IMPLICATIONS

Aberdeen Heat and Power Co Ltd (AH&P) was set up by the Council in 2002 to develop and manage CHP schemes, in particular schemes linked to clusters of multi-storey blocks. AH&P is a not-for-profit company limited by guarantee. It has a board of unpaid Directors and an external CHP consultant who carries out design, procurement and project management. A Framework Agreement is in place between the Council and AH&P which includes requirements that:

- AH&P's procurement is in line with the public procurement policy
- Ownership of all parts of the heating system within Council owned flats or common areas of the block reverts to the ownership of the Council upon installation
- The CHP plant is located on land owned by the Council and all mains distribution pipes run through Council owned land; and that the Council will grant AH&P a license for the long-term use of such land
- Surplus operating profits made by AH&P will be used to offset the capital costs of linking more Council owned multi-storey blocks into CHP schemes in the future.

AH&P has also undertaken a number of stand alone district heating installations on the Council's behalf.

## 5. BACKGROUND/MAIN ISSUES

There are 18 multi storey blocks which have not yet been provided with CHP or district heating systems. They are broken down in Appendix A to two groups; city centre blocks and cavity constructed blocks.

### **City centre blocks**

The city centre blocks will present the biggest challenge in terms of meeting the requirements of the Energy Efficiency for Social Housing Standard (EESH) by 2020 due to their construction and the number of privately owned flats within each block. Due to their solid wall construction and the presence of open deck access they are difficult to both heat and insulate. Currently under ECO 2 requirements no grant funding could be claimed for fitting CHP as the walls of the blocks are not insulated. Because of this, officers are carrying out an appraisal of the various options which could be implemented to resolve these issues. It is anticipated that a report on these matters will be brought to this committee within the next 12 months. This options appraisal will also take into consideration any impact on these blocks from the City Centre Masterplan

I would propose that any decision to undertake the installation of CHP in these blocks should be delayed until the report on the options appraisal has been brought before this committee.

### **Cavity constructed blocks**

The vast majority of flats in the cavity constructed blocks already surpass the EESH target of SAP 65 for electrically heated properties, and in many cases the target for gas heated properties of SAP 69.

According to our records all cavities have previously been insulated. This will ensure that they meet the requirements to be considered for some level of grant assistance under ECO2, though at this stage we are not in a position to detail the amount of grant that may be available as further preparatory work needs to be undertaken in terms of CO2 savings.

Residents within these blocks, with the exception of Kincorth Land, currently pay for their heat and hot water useage through the Council's Heat with Rent scheme. Changing the fuel type from electricity to gas district heating would reduce the Heat with Rent charges by approximately £1 per week. Whether savings for residents in Kincorth Land would be achieved would be down to personal factors, however, the installation of district heating will provide a more flexible and controllable form of heating which will increase the comfort of the residents.

There are four of the cavity constructed blocks which are not sufficiently close to existing or planned CHP infrastructure to allow them to be linked; these blocks are: Kincorth Land, Regensburg Court,

Gairn Court and Balmoral Court. Early estimations for the cost of installing district heating to these sites are approximately £350,000-£400,000 per block

I would propose that these blocks make up the next phase of the district heating installation programme and that the Director of Communities, Housing and Infrastructure be instructed to prepare for these works to commence during the 2016/17 financial year.

On 9 June 2015 the Finance, Policy and Resources committee considered a report entitled *Middlefield: Development Updates* and approved, amongst other things, connecting the new build sites at Smithfield and Manor Walk with the existing CHP infrastructure. The planned route for the extension of the CHP infrastructure will also allow for Stewart Park Court, Hilton Court and Granitehill House to be connected. The extension should become fully operational during 2017, therefore I would propose that internal installation work to provide CHP to these blocks should be undertaken during the 2017/18 financial year.

The remaining blocks of this type are Murray Court, Fullerton Court and Clifton Court. There is a potential for these blocks to be linked to either the CHP network in Tillydrone or possibly the extension to the network that will be taken to the new build sites. AH&P are currently investigating these possibilities. If investigations show that this isn't practical then these blocks can still be provided with district heating. At this time I would therefore propose that the connection of these blocks to either CHP or district heating should be planned for the 2018/19 financial year.

## 6. IMPACT

The Single Outcome Agreement refers to a need to enhance the quality of housing and environment for individuals and the community.

Furthermore within "Aberdeen – the Smarter City", the Council's policy document for 2012-2017, the following policy targets are set out:

### Smarter Living (Quality of Life):

We will provide quality services to our council tenants to enable them to have a dry, warm home in a safe and enjoyable environment.

### Smarter Environment (Natural Resources):

We will increase energy efficiency and introduce carbon reduction measures in our processes and our housing and non housing assets to reduce our carbon footprint, save money and to bring people out of fuel poverty.

All social housing in Scotland is required to meet the Energy Efficiency Standard for Social Housing (EESH) by 2020. Simply this means that electrically heated homes must reach an energy rating score of SAP

65, and gas heated homes a score of SAP 69, by 2020. There are numerous measures, including the installation of gas fuelled CHP or district heating, which can assist in achieving this.

## 7. MANAGEMENT OF RISK

There is a risk that residents in the blocks in question, especially the city centre blocks, may criticise the decision not to take early action regarding the installation of CHP or district heating in their homes. However, this is mitigated by the fact that a wider energy performance option appraisal is currently underway for the city centre blocks and it would be prudent to wait the outcome of this appraisal before making a decision on carrying out any individual energy efficiency works on these blocks..

There is a risk that any owner within a mixed tenure block may withhold approval to run the distribution pipe work within the common areas of their block. This would prevent the installation of CHP or district heating within that block indefinitely. This risk could be managed by proper consultation early in the planning process whereby the potential benefits of the scheme can be explained to owners..

AH&P is currently only contracted to carry out the extension of the CHP network to the two new build sites. If they were also awarded the work to carry out internal installations in the new builds there is a risk that this, plus the planned CHP installations in the multi storey blocks in this report will overlap and create a resource issue for them. If this occurs then it will be essential that AH&P address this issue to ensure that there are no delays in either project.

## 8. BACKGROUND PAPERS

Draft Housing Revenue Account (HRA) Budget and Housing Capital Budget 2015/16 to 2019/20; submitted to the Finance, Policy & Resources committee on 4 December 2014.

Middlefield: Development Updates; submitted to the Finance, Policy and Resources committee on 9 June 2015.

## 9. REPORT AUTHOR DETAILS

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