

ABERDEEN CITY COUNCIL

COMMITTEE	Finance, Resources & Policy
DATE	1 st December 2016
DIRECTOR	Pete Leonard
TITLE OF REPORT	European Project HEATNET
REPORT NUMBER	CHI/16/290
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

To provide the Committee an update on the European Project HEATNET and seek relevant approvals for in relation to the project.

The HEATNET project (Transition strategies for delivering low carbon district heat) is match funded by Interreg North West Europe and the Council was successful in its application to be considered for participation in the project. The total funding value is €1,014,143 where Europe will fund 60% and the Council has to match fund 40%, which is €405,657 or approximately £365,000 (based on the exchange rate on 24th October 2016). The HEATNET project will start in early 2017 until the end of 2019.

The total match funding will be utilised towards the heat network development in Torry. However the project will also include the development of a detailed heat network expansion feasibility study for the city centre and developing financial modelling for commercial investment in a heat network in the city centre. The other aims of the projects are to test future expansion of a heat and cooling network in the city centre and to develop a strategy to eventually connect the existing heat networks together to develop a wider heat network that could incorporate low carbon heat technologies.

2. RECOMMENDATION(S)

It is recommended that the Committee:

1. note that on 24th October 2016 Full Council:
 - (a) approved the allocation of £365,000 (at € exchange rates on) from capital project 810K to provide match-funding to allow €608,485 of funding to be secured from Interreg North West Europe HEATNET project - transition strategies for delivering low carbon district heat;
 - (b) approved the utilisation of this funding to support the development of district heating infrastructure in the Torry area subject to the requirements of the funding criteria;
 - (c) instructed the Interim Director of Communities, Housing and Infrastructure to undertake a procurement exercise for the installation of a heat network, in tandem with that for the construction of the Energy from Waste facility, following the completion and submission of the phase 1 report to the Communities, Housing and Infrastructure Committee on 24 January 2017; and to commit funding from the Energy from Waste construction budget included in the Non Housing Capital Programme to phase 1 of the Torry Heat network project; and
 - (d) instructed the Interim Director of Communities, Housing and Infrastructure to bring a report providing an update on the above matters to the Communities, Housing and Infrastructure Committee on 24 January 2017.
2. Approve expenditure for necessary overseas travel for partner meetings and annual conferences connected with the HEATNET project to be funded from identified service budget and the HEATNET funding programme; and
3. approve the signing of or entry into any legal agreement or other documentation (whether same are governed by the law of Scotland or the law of another country) subject to approval of the terms by the Head of Legal and Democratic Services.

3. FINANCIAL IMPLICATIONS

The HEATNET project requires a 40% match funding contribution from the Council and this funding has been identified from Capital Project 810K.

Some overseas travel will be required by Officers to attend the relevant project partner meetings and annual conferences. This will be met from identified service budget and the relevant funding programme.

4. OTHER IMPLICATIONS

EU Referendum Outcome

Following the recent outcome of the EU Referendum vote there are currently no implications on EU projects as the UK is still full a member of the European Union. Applications submitted under Interreg North West Europe will be considered under the same criteria and rules as before the referendum.

If the UK triggers a departure from the EU, the UK and Scottish Government has guaranteed certain EU funding programmes entered into prior to the UK's departure from the EU.

Legal

When new projects are undertaken, legal and democratic services are involved at the earliest stage possible in the application process and resource has been sought from them in order that the Council are not entering into any funding contract at risk.

All funded projects are required to adhere to funding guidance and compliance and conditions within the funding applications are legally binding. Legal and democratic services will ensure that all grant conditions are met accordingly.

5. BACKGROUND/MAIN ISSUES

HeatNet

Aberdeen City Council is a project partner in the EU project 'HeatNet' which was recently approved funding under the Interreg North West Europe programme.

All The HeatNet project addresses the challenge of reducing CO2 emissions in North West Europe (NWE) by creating an integrated approach to the supply of renewable and low carbon heat to residential and commercial buildings. The main outputs of the project are as follows:

1. A transferable HeatNet model
2. Living labs to test and demonstrate the HeatNet model
3. Transition Roadmap plan for roll out of new technical, institutional and organisational arrangements

The funding rate is 60% and the total budget for ACC is €1,014,142 of which €608,485 will be grant funding from Interreg NWE and €405,657

(approximately £360,000 based on exchange rate on 24th October 2016) will be met from Capital Project 810K. A funding breakdown has been given below:

Draft Budget HEATNET						
Staff Costs	Office and Admin	Travel & Accommodation	External Expertise & Services	Infrastructure	Total Budget	Eligible Grant Funding to ACC
183,950€	27,593€	10,600€	157,000€	635,000€	1,014,143€	608,485€

6. IMPACT

Improving Customer Experience –

Participating in externally funded projects enhances services and facilities which customers use within the City, particularly in relation to Smart City projects which are designed to improve service efficiencies. European projects allow customers to experience innovation which they might not get the chance to otherwise. Projects which have business customer in mind will have a positive impact on the City's economy.

Improving Staff Experience –

Through participation in European projects staff members have the opportunity to exchange best practice with their equivalent peers and colleagues in other countries. This results in staff returning with new, innovative ideas to implement within the City and have a direct impact on staff and customers. Continued participation in projects will create new opportunities to bring new technologies, as well as new thinking to enhance the city.

Through externally funded projects staff can experience first hand, the impact that external funding can bring to the city that they live and work in.

Improving our use of Resources –

Externally funded projects, and European projects in particular, are centred on new innovative ideas and technologies. It is essential that the Council keeps up to date with current strategies locally, nationally and transnationally and to ensure that Aberdeen is at the forefront on delivering within the strategies.

Officers within Economic Development will ensure that projects are focused around the current priorities within the Council so that public funding can be maximised to provide the best service possible.

Corporate –

This projects support the following strategies and policies:

- Smarter Aberdeen
- Regional Economic Strategy
- City centre Masterplan
- City Region Deal
- Digital Place Strategy
- Powering Aberdeen
- A Hydrogen Economy Strategy for Aberdeen City Region

Public –

It is likely that the public will have an interest in the project as it is intended to make a positive contribution to the region for the benefit of the citizens.

7. MANAGEMENT OF RISK

It is important that Aberdeen; is fully represented in all European matters, exploits all opportunities for influencing policy and the development of transnational projects for the City's benefit and maximises any European funding opportunities.

This level of participation will help to increase the understanding of new programmes involving strategic and technology developments and will assist in developing the capacity to successfully develop new projects and technologies in Aberdeen, working in partnership with other European cities.

The project will follow internal and external audit processes to ensure that any potential financial risk to the council is eliminated.

8. BACKGROUND PAPERS

- Full Council 29th June 2016. Report number: CHI/16/126 - Heat Network Torry Phase 1
- Special council meeting 24th October 2016. Item 3 - Inter Authority Agreement on Energy From Waste.

9. REPORT AUTHOR DETAILS

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