

ABERDEEN CITY COUNCIL

COMMITTEE	Finance Policy & Resource Committee
DATE	9 th March 2017
DIRECTOR	Bernadette Marjoram
TITLE OF REPORT	JIVE Project – Grant Agreement
REPORT NUMBER	CHI/17/050
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

The purpose of this report is to seek a decision from Members regarding the signing of the Grant Agreement for the JIVE project.

2. RECOMMENDATION(S)

It is recommended that the Committee:

1. Note the terms of the Background Papers and in particular the recommendations which were made by this Committee on 1 December 2016 (the “Decision”) and as detailed at paragraph 4.2 of this Report that two of the conditions for entering into this project remain unsatisfied at this time;
2. Note that the Decision was made by this Committee less than six months ago;
3. Approve, in accordance with Standing Order 22, that the Decision is amended in accordance with recommendations 3, 4 and 5 of this Report;
4. Approve the signing of the JIVE Grant Agreement by a Proper Officer;
5. Instruct officers to investigate additional funding sources to reduce the Council’s financial commitment to the project; and
6. Report back to this Committee on 30 November 2017 to:
 - a. Provide an update as to:
 - i. Progress on recommendation 4 above;
 - ii. Details of the Scottish Government financial contribution;

- iii. Details of Bus Operators agreement and financial contributions
- b. Allow Committee to decide whether or not to exit from the project.

3. FINANCIAL IMPLICATIONS

The financial implications of this project were discussed and approved on 1 December 2016. (See background papers).

4. OTHER IMPLICATIONS

1. In order to enable Aberdeen City Council to participate in this project and access the grant funding available there is a formal requirement to sign a grant agreement issued by the funding body before 19 March 2017. This Committee on 1 December 2016 previously approved participation in this project subject to conditions, however as those conditions have not yet been met the Grant Agreement has not been signed. Failure to sign could lead to exclusion from the project.
2. It is the case that two of the three conditions remain unsatisfied at this time:
 - a) A Scottish government financial contribution of £3,000,000
 - b) Bus Operators agreement and financial contribution.
3. The option which officers present in this report is a compromise solution. Internal legal advice, plus written communication from Element Energy (Lead Partner) are clear that entering the Grant Agreement is not an unconditional agreement to deliver. There are exit clauses which allow partners to exit the project without any penalty provided justified reasons are provided. The grant agreement does not specify what would be a justified reason and allows this to be determined by Fuel Cells and Hydrogen 2 Joint Undertaking ("JU") (Grant Agreement 50.3.1). However, such reasons which have been accepted as justified in previous projects similar to this were related to a change of economic situation for one of the partners and, while not legally binding, it has been indicated by the Project co-ordinator and it is believed by officers that the inability to satisfy either of the two outstanding conditions would qualify as justified reasons.
4. Should this be the case, and provided the JU deem the reason for leaving the project was justified, the Council would still be able to recover grant funding for any eligible costs incurred during the period prior to exiting the project. A period of 8 months is suggested to ensure that such costs are minimised and that if we do have to exit the project it would be at an early stage which allows another region the opportunity to replace Aberdeen and minimise disruption to the overall JIVE project.

5. In order to ensure access to grant funding a recommendation is put forward for consideration, which would allow officers additional time to secure the necessary commitments from external partners, whilst not losing out on the offer of grant funding totalling up to €1.95 million.

5. BACKGROUND/MAIN ISSUES

1. A funding application for the JIVE project has been accepted by the FCHJU, with Aberdeen City Council one of a number of partners. In order to receive such funding there is a requirement upon all partners to sign a Grant Agreement.
2. Committee previously approved participation in this project subject to conditions, however as those conditions have not yet been met the Grant Agreement has not been signed.
3. As we are dependent upon external bodies providing their confirmation to satisfy those conditions, we are seeking a solution which will allow us to sign the Grant Agreement with an extended timescale to satisfy those conditions. Failure to satisfy those conditions will result in Aberdeen City Council then exiting the project.
4. It is noted that Dundee City Council has signed the Grant Agreement despite not having any confirmation from Scottish Government regarding any financial contribution.
5. Dundee City Council are one of a number of “substitute partners” who will become an active partner financially if any of the initial partners are forced to withdraw/unable to sign the grant agreement.
6. In light of the unusual circumstances which these are, officers have written to the Element Energy (Lead Partner) and the funding body (FCHJU) to explain the situation and the FCHJU has granted a 30 day extension to sign the agreement so that this report can be present to committee for agreement.
7. Officers have continued to meet the two conditions agreed by committee and the current position is as follows:
 - a) Several requests to Scottish Government have been made in regard to their funding decision. This decision is dependent upon Transport Scotland and the Scottish Government’s Energy and Climate Change department budget setting process and confirmation is anticipated before June 2017.
 - b) Bus operators are engaged already and further discussions will take place to seek their formal commitment once Scottish Government funding is in place.

6. IMPACT

Improving Customer Experience –

This proposal will benefit both the operators and the general public in future by providing clean, quiet, zero emission buses and improving air quality in the city.

Improving Staff Experience –

Working within this technically challenging but rewarding sector has broadened the knowledge, improved project management and negotiation skills of the staff involved in various projects.

Improving our use of Resources –

This project has gone through a validation process to ensure the outcome of the project will reap the rewards for Aberdeen city council moving forward in terms of providing the public with clean, quiet, zero emission buses, improving the air quality within the city and the travel and wellbeing on citizens.

Corporate -

This project links into the North East's Regional Economic Strategy – "Further diversification into alternative energy technologies must be accelerated to complement work already being undertaken in shale gas, tar sands, hydrogen fuel cell supply chain opportunities, energy and carbon capture and storage and decarbonising food production."

This project was also detailed within the Strategic infrastructure Plan as one of the projects with substantial direct involvement from Aberdeen city Council that contribute to economic growth. It will also offer many opportunities for joint working with partner organisations on projects. One of the key successes of the hydrogen projects to date is the public/private partnerships which have been developed. Without this collaborative approach the aims of Aberdeen City Region's hydrogen Strategy cannot be delivered. The External Funding Plan reinforces the importance of joined up partnerships at local, national and international level.

This project also links Aberdeen City Region Hydrogen Strategy and the transport and energy priorities within Aberdeen – the Smarter City Vision to "define the image of an international 21st century energy city, leading a new leaner, cleaner, industrial revolution using the intensity of our social, business and community connection" and taking "a European lead in adapting new transport technologies" to "provide and promote a sustainable transport system, including cycling, which reduces our carbon emissions".

Public –

This project is of interest to the public in terms of the potential economic and environmental benefits that hydrogen and fuel cell technologies can bring to the City including job creation as well as air quality improvements. Significant local and national air quality benefits

can be derived from the deployment of low carbon vehicles offering zero exhaust emissions, reducing harmful pollutants such as nitrogen oxides (NO_x), sulphur dioxides (SO_x) and particulate matter (PM₁₀)

7. MANAGEMENT OF RISK

1. Overall project management of risk was presented to Committee on 1 December 2016 and therefore not repeated in this paper.
2. The purpose of taking this report to committee is to manage the risk to ensure that the correct authority is given to the proper officer to allow them to sign the grant agreement on a conditional basis as per the recommendation of this paper.
3. Should committee support the recommendation then there will be a clear timescale in place for officers to satisfy the conditions of FP&R on 1 December within a set deadline. If this is not met, then officers are instructed to exit the project.
4. Should the Council wish to exit the Project and the reason is not deemed to be justified then the Council may not be able to reclaim any costs associated with the Project and incurred to the date of exit and may require to repay grant monies already claimed by the Council and paid out by the JU. This is mitigated by Officers coming back to Committee to decide how to proceed in a relatively short timescale given the projected length of the Project and Officers being conscious of expenses incurred on the project to date. In addition until confirmation is obtained that we will progress further with the project at this Committee's meeting in November no financial cost centre will be created and costs will be routed through existing budgets..

8. BACKGROUND PAPERS

CHI/16/258 – FCHJU JIVE Business Case.

9. REPORT AUTHOR DETAILS

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