

The Highland Council

Agenda Item	12.
Report No	CCC/26/24

Committee: Climate Change

Date: 7 November 2024

Report Title: Delivery Plan Budget Monitoring & Progress Update – Heat Networks Project

Report By: Assistant Chief Executive - Place

1 Purpose/Executive Summary

1.1 The Delivery Plan 2024-27 consists of 64 projects/programmes, managed through 6 Portfolio Boards. Each project is reported to a relevant committee for consideration and scrutiny in terms of the Portfolio Reporting Cycle agreed at Council on 9 May 2024. Exceptions to this general rule may apply when circumstances merit a standalone project/programme report to either committee or Council.

1.2 This report provides financial, performance and general information on the following Delivery Plan project:-

- Heat Networks Project - Net Zero, Energy, Investment & Innovation Portfolio

1.3 The content and structure of the report is intended to:-

- assist Member scrutiny and performance management
- inform decision making and aid continuous improvement, and
- provide transparency and accessibility

2 Recommendations

2.1 Members are asked to **note** the update provided on the Heat Networks Project.

3 Implications

3.1 **Resource** - Any resource implications will be included in section 6 of this report.

- 3.2 **Legal** - This report contributes to the Council's statutory duties to report performance and secure best value in terms of; Section 1(1)(a) of the Local Government Act 1992, and Section 1 of the Local Government in Scotland Act 2003, respectively.
- 3.4 **Risk** - There are no risk implications arising as a direct result of this report. Project/Programme risks are identified via the Council risk management process and monitored through the Portfolio Boards and are reported by exception only in paragraph 6.5 of this report for.
- 3.5 **Health and Safety (risks arising from changes to plant, equipment, process or people)** - There are no Health and Safety implications arising as a direct result of this report.
- 3.6 **Gaelic** - There are no Gaelic implications arising as a direct result of this report.

4 Impacts

- 4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.
- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3 This is a monitoring and update report and therefore an impact assessment is not required.

5 Heat Networks Project Update

5.1 Overall Project Rag

The Heat Networks Project is currently ragged as Green and the rationale for rag status is as per the narrative extracted from the PRMS system below.

Reason for Project RAG Rating and Corrective Action:

M6 24/25	<input type="radio"/> R <input type="radio"/> A <input checked="" type="radio"/> G <input type="radio"/> C
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NZEII Board - 21st August - Request for Change - APPROVED. RAG status updated from amber to green to align with new approved timescales. The panel assessment for applicants' responses to the ITT for The Highland Council Strategic work took place on the 18th September. ZWS appointed Burro Happold (BH) as a consultant for the HC to undertake a city-wide feasibility study for Inverness. ZWS procurement team has now issued the agreement to sign and confirm BH availability for a kick off meeting. The date for a kick off meeting will be agreed on the 20th September. The draft GOL has been issued to the Council. A meeting with the HNSU/SG/SFT to take place on the 18th September to clarify a number of points and discuss approach to procuring consultants, timescales for the project, and seek advice on grant claim process.

5.2 Key Milestones & Requests for Change

An update on progress with Key milestones is as follows:-

Feasibility studies completed / Business case presented for approval / Engage investors, explore delivery models:

1. Zero Waste Scotland (ZWS) panel assessment for applicants' responses to the Invitation to Tender (ITT) for the Highland Council (HC) Strategic work took place on 18 September. ZWS appointed Burro Happold (BH) as a consultant for the HC to undertake a city-wide feasibility study for Inverness. The soft kick off meeting took place on Thursday 26 September.
2. A face-to-face workshop with senior colleagues to be arranged for October 2024.
3. The draft Grant Offer Letter (GOL) has been issued to the Council. A meeting with the Heat Network Support Unit (HNSU)/ Scottish Government (SG) /Scottish Futures Trust (SFT) took place on 18 September to clarify a number of points and discuss approach to procuring consultants for support with delivery models, timescales for the project, and seek advice on grant claim process.
4. Ongoing stakeholder engagement to scale.

5.3 Financial Summary

- 5.4 The Highland Council has been successful in securing strategic heat network support funding of £150,000 to undertake a city-wide feasibility study for the city of Inverness. Funding allocation: £50,000 for the non-technical work (delivery models/Outline Business Case (OBC) and £100,000 for the technical work. The Council's contribution is 10%.

5.5 Key Risks

The milestone for completing feasibility studies by September 2024, as per the Our Future Highland Delivery Plan 2024-2027, will not be met due to the Scottish Government delay in appointing approved consultants. The Highland Council has to use an approved Consultant which due to backlog, will impact on timings of this project.

To mitigate this, a revised timeline aligned with the Scottish Government's work programme was submitted and approved by the Net Zero, Energy, Investment & Innovation Portfolio Board on 21 August 24. The technical work kick off meeting took place on 26 September and the non-technical work is scheduled to start in December.

5.6 Forward Plan

The key activities for the next Quarter (Q3) are as follows:

1. Feasibility: The kick off meeting with the project team took place on 26 September. A second meeting with senior HC colleagues is scheduled for the 10 October to introduce the project and discuss the scope of this project and outline the work that the Climate Change and Energy Team is about to undertake. It is anticipated that the feasibility will be completed by the end of March 2025.
2. Non-technical work (delivery models and Outline Business Case) – the work is scheduled to start in November 2024 to procure external consultants to:-
 - help the Council assess and determine the optimum delivery model the Council should adopt to unlock deployment of long-term and large-scale heat networks in Inverness and the wider local authority area; and
 - develop an Outline Business Case for the procurement of a delivery partner.

As part of this work, stakeholder/market engagement is to be carried out around short-listed delivery models and the role of other organisations.

The proposed timeline for this piece of work is November 2024 to May 2025.

3. In November 2023, the Heat Network Support Unit (HNSU) launched its Strategic Heat Network Support to help local authorities build on their LHEES to develop a strategic and commercial approach to establish city and town-wide district heating networks in their areas. The Highland Council is one of the seven local authorities to receive this support.

As part of this support, the Strategic Heat Network Support Forum was launched to allow all seven local authorities to enable peer learning and the sharing of best practices, facilitate the co-development of strategies and solutions, foster a collaborative network of local authorities, track progress and document key earnings. Two members from the Climate Change and Energy Team attended the first forum (kick-off meeting) in September 2024 and will continue to participate in this forum for the foreseeable future.

Designation: Assistant Chief Executive - Place

Date: 8 October 2024

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Background Papers: None

Appendices: None