

CAIRNGORMS NATIONAL PARK AUTHORITY

FOR DECISION

Title: NEW CNPA BIOMASS WOOD FUEL BOILER

Prepared by: Andy Rinning, Business Services Manager

Purpose

To seek approval of the Finance Committee to the expenditure required to meet the costs of the installation of a Biomass wood fuel boiler for the CNPA Grantown office.

Recommendations

The committee approves the funding of £80,000 for this project.

Executive Summary

It is proposed to add a wood fuel boiler to the Grantown office, to switch from oil to predominantly wood fuel use. This project initially arose from discussion at the office Greening Committee back in 2008 but was put in abeyance until the outcome of the Strategic Accommodation Review was known. The final decision by the Project Board and confirmed by the Finance Committee was that the Authority should remain in its existing premises both in Grantown and Ballater. As a consequence further consideration of a biomass boiler for Grantown became a more realistic proposition.

The boiler serving number 14 was renewed recently by the Landlord. The boiler serving numbers 15 and 16 has been in place since the Park Authority took over the premises in 2003 and its life expectancy is becoming short lived and will need to be replaced. It is unlikely that the Landlord would offer to replace it. Increases in oil prices and the need for the Authority to reduce its carbon footprint make the installation of a wood fuel boiler the preferred option.

The cost of implementing the project is estimated at £80,000 and if approved should be substantially completed by end March 2011.

CAIRNGORMS NATIONAL PARK AUTHORITY
EXPENDITURE JUSTIFICATION (PROJECT PROPOSAL)

1. Title

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| New Biomass Boiler for Grantown Office |
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2. Expenditure Category

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| Operational Plan | | Code | Programme 10 | Procurement | |
| Programme: | | | | Grant | |
| Core or Project spend | | Code | | Capital | √ |

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|--|----------|-----------------|---|
| Is this spend to be funded from an existing budget line, existing line with additional funds or is it a totally new spend? | £ | Existing budget | |
| | £ | Additional | |
| | £ 80,000 | New budget | √ |

3. Description

- Brief overview of project/activity including cost summary
- Specific elements for which support is sought (if not whole project/activity)

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| <p>It is proposed to add a wood fuel boiler to the Grantown office, to switch from oil to predominantly wood fuel use. This project initially arose from discussion at the office Greening Committee back in 2008 but was put in abeyance until the outcome of the Strategic Accommodation Review was known. The final decision of the accommodation Project Board and confirmed by the Finance Committee was that the Authority should remain in its existing premises both in Grantown and Ballater. As a consequence further consideration of a biomass boiler for Grantown became a more realistic proposition. We currently spend around £7,500 a year on oil, and this is set to rise as oil costs increase. We have two 60kw boilers feeding two separate heating systems serving the Grantown offices. Under this proposal, these boilers would be supplemented by the external installation of a 70kw wood fuel boiler to provide 85% of our usage. The wood fuel boiler would be the “master” boiler, only drawing on the oil boilers during especially cold periods and as a back-up to the wood fuel boiler. Woodchip is cheaper and locally produced on Alvie Estate, but requires a more complicated hopper and boiler system. Pellets are preferred choice, with new suppliers coming on stream at Invergordon and Banff. Installation of a pellet boiler here might also encourage local production. Supply chains are sufficient to meet demand. Current oil costs are around 6.5p per kw/hr. Pellets cost around 3.0p per kw/hr. Prices have been stable for some time, and there is a willingness within the supply industry to keep cost increases down to encourage development of wood fuel. Wood fuel supply appears stable for the foreseeable future.</p> |
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Revenue costs would save around 50% even with oil back-up during cold periods. At £7,500 oil cost per year, savings are around £3,750 per year. This gives a payback period of around seven years. The total cost of supply and installation of a containerised system, including all necessary civil works to connect to existing oil boilers is estimated at £80K. Expectations are that the work can be substantially completed by end March 2011.

4. Rationale and Strategic Fit

- Why is the Park Authority considering investing staff and/ or financial resources in this project?
- Objectives/intended beneficiaries
- Evidence of need and demand
- Why is the Park Authority considering investing
- Fit with National Park Plan/Corporate Plan/other relevant strategies
- Linkages to other activities/projects
- What contribution may be made to improving KPI's?

The installation of a wood fuel boiler can be used as a demonstration project that would be invaluable to the CNPA, and encourage other local organisations and groups, housing associations and private businesses to consider wood fuel. The two main reasons for proceeding with this project are fuel cost savings and to meet our greening priorities. The Park Authority has set the reduction of its carbon footprint from its business activities as a key objective and the additional Co2 savings can be used to support that KPI.

5. Option Analysis

- Are there other ways in which the above objectives could be achieved?
- If so, why is this way the preferred option?

The boiler serving number 14 was renewed recently by the Landlord. The boiler serving numbers 15 and 16 has been in place since the Park Authority took over the premises in 2003 and its life expectancy is becoming short lived and will need to be replaced. It is unlikely that the Landlord would offer to replace it. Increases in oil prices and the need for the Authority to reduce its carbon footprint make the installation of a wood fuel boiler the preferred option.

6. Risk Assessment

- Strategic, Organisational Risks: Does the project assist in managing or reducing any of the strategic risks identified by the Audit Committee or Management Team? Please reference the Strategic Risk Register and specify which risks are addressed through the project and how these risks are addressed.
- Project Risks: Are there risks to the CNPA in funding this project/activity?
- Are there risks in the project/activity not being delivered to required timescale/quality?

- Comment on the likelihood of such risks occurring, their potential impact, and (where appropriate) any action that would be taken to mitigate the risks.

The main risk is that the project goes over timetable due to unforeseen technical reasons and supplier issues. Agreement to proceed will be subject to the new system being delivered and substantially installed by end March 2011 to meet current budget arrangements. The project will be set up to minimise this risk through regular meetings with the supplier's project manager and careful monitoring of the project plan and budget.

7. Costs and Funding

- Detail the financial costs of the project/activity
- Detail the sources of funding
- Justification also needs to be given if the CNPA is the major funder
- Detail any non-monetary costs to the CNPA (such as Member or staff input)

The cost of implementing the project is estimated at £80,000 and will be met from the additional funding provided by Scottish Government for the 2010-11 financial year. Annual servicing and maintenance costs are estimated at £1,200 from year 2.

8. Funding conditions

- Detail the project specific conditions that need to be included in any contract for services or grant offer letter in order that CNPA obtains the intended outcomes and Value for Money
- In the case of grant offers, our Financial Memorandum requires that SG agree these conditions in advance of the grant offer being made

Agreement to proceed is subject to delivery and installation by 31 March 2011. It is recognised there will be a lead time period but it is expected the majority of the work will be completed by end March 2011.

9. Deliverables/ Impact Assessment including Equalities

- Could the project have any discriminatory or negative effects on particular groups?
- Have opportunities been taken to promote equality within the project design?
- Does the project fall within one of the Park Authorities priority areas for considering equality impacts?
- What end products/outputs will be delivered?
- How will success be measured?
- How will the project be monitored and what will be the feedback to the CNPA?

On completion of the project CNPA will have a modern green energy heating system. It is not anticipated that there will be any discriminatory or negative equalities effects. Fuel savings are expected to be in the region of 40-50% with a Co2 saving of 75 tonnes per annum. Regular monthly statistics will be produced to monitor costs and savings.

10. Value for Money

- In view of the costs, do the deliverables appear to offer value for money? (consider cost of comparable projects, where available).

Competitive tenders will be sought. The procurement will be managed by our joint procurement officer based in LL&T. A consultant M&E engineer will prepare the necessary drawings and tender specification and invitations to tender advertised on the public tender website.

11. Exit or Continuation Arrangements (where applicable)

- If this is not a discrete, time-limited, project or piece of work, what are the exit/continuation arrangements for when CNPA support ceases?

This is a one off contract with the suppliers which is expected to be installed and fully signed off by March 2011.

12. Additionality

- Does this work/project substitute for or duplicate work being carried out or proposed by others?
- What would be the effects of the CNPA not supporting the project? Would it proceed without CNPA support?

There is no additionality in proceeding with this project.

13. Stakeholder Support

- Have the organisations and/or communities that would have an interest in this work/project been involved, and are they supportive?
- If supporters are also not funders an explanation may be required.

The main stakeholder in this project is CNPA.

14. Recommendation

This project will deliver a sustainable green energy heating system resulting in savings in fuel costs and a reduction in the Authority's carbon footprint. I therefore recommend that the Park Authority meets the cost of this project estimated at £80,000.

Signature: _____

Date: 8 February 2011

Name: Andy Rinning

15. Decision to Approve or Reject

Corporate Services Director

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| Name: | Signature: | Date: |

Chief Executive

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| Name: | Signature: | Date: |

Finance Committee

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| Name: | Signature: | Date: |

Board

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| Board agreed at the meeting on Friday 21 January to delegate the detailed decision on this project to the Finance Committee. | | |
| Name: | Signature: | Date: |

Scottish Government

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| Confirmation is currently being sought and it is not anticipated there will be any difficulties in obtaining approval. | | |
| Name: | Signature: | Date: |