

**REPORT TO: CHILDREN AND YOUNG PEOPLE'S SERVICES COMMITTEE ON
7 OCTOBER 2009**

SUBJECT: SPEYSIDE BIOMASS PROJECT – SPEYSIDE HIGH SCHOOL

BY: DIRECTOR OF EDUCATIONAL SERVICES

1. REASON FOR REPORT

1.1 The purpose of this report is to inform members of the progress made to-date in relation to the development of the Speyside Biomass Project at Speyside Community High School, Aberlour.

1.2 This report is submitted to Committee in terms of Section A (22) of the Council's Administrative Scheme relating to dealing with the management and investment of any funds.

2. RECOMMENDATION

2.1 It is recommended that Committee:-

i) notes and scrutinises the progress made to-date in relation to the development of the Speyside Biomass Project.

3. BACKGROUND

3.1 At the Special Meeting of The Moray Council on 8 February 2007 (para 4 of the minute refers), Council agreed to commit £200,000 to support the replacement of an oil based heating system with a biomass alternative. The site identified as the most appropriate was Speyside Community High School.

3.2 At the Policy and Resources Committee on 30 April 2008 members were informed that a feasibility study carried out by Highland Wood Energy confirmed a biomass heating system would be a cost effective form of renewable energy when compared to oil or gas. The study also concluded that a biomass heating system would assist in reducing green house gas emissions and had the potential to stimulate local wood supply business.

3.3 The feasibility study carried out by Highland Wood Energy estimated the cost to design and install a 500KWH biomass boiler at Speyside Community High School to be £358,171.75. The estimate did not include a back up boiler, which is essential to avoid disruption during either maintenance or failure of the main boiler. As a consequence a consultancy firm (Hulley & Kirkwood) were appointed by Property Services to investigate back up options.

4. PROPOSED CAPITAL COSTS

4.1 Advice has now been received from Hulley & Kirkwood. This advice recommends installing a 500kw gas back-up boiler. This would alleviate any risk of school and swimming pool closure during planned and reactive

maintenance. With a gas boiler capable of running the heat demand there would be less urgency for the biomass boiler to be up and running within a few hours of any fault. It would also reduce the cost of any servicing contract set up for the biomass boiler.

- 4.2 Based on figures provided by Hulley & Kirkwood the total estimate for a biomass boiler including gas back up has been estimated at:

Description	£
Decommissioning	£ 8,000.00
Gas Supply & Gas Boiler Installation	£140,688.75
Biomass Boiler Installation	£202,325.00
Upgrade Existing Boiler Controls	£ 12,000.00
Civil Works	£ 46,900.00
SUB TOTAL	£409,913.75
Contingencies 15%	£ 61,487.06
Sub TOTAL	£542,110.93
Fees 12%	£ 65,053.31
SUB TOTAL	£607,164.25
Statutory Fees	£ 3,055.00
PROJECT TOTAL	£610,219.25

- 4.3 Whilst there is variation between the figures for the installation of a Biomass boiler provided by the two consultancy firms it can be assumed that the overall cost will be in the order of £600,000.
- 4.4 Consultants Hulley & Kirkwood have further advised that the whole heating system at Speyside Community High School would benefit from being replaced as a complete package. This could include the provision of a Solar Hot Water System, a Heat Exchanger and Enhanced Heating Controls. These additional improvements could cost in the region of £230,000. The consultants are currently identifying the likely pay back period for the Biomass boiler and additional improvements and these are expected to be available in early October.

5. FUNDING SOURCES

- 5.1 As part of the report to Policy and Resources Committee on 30 April 2008 members were also informed that regrettably Moray Council was ineligible to receive European Funding for the Biomass Project. Subsequently officers have investigated alternative funding avenues which include the following:

	Name of Fund	Name of Organisation Adminstrating the Grant	Outcome
1.	Low Carbon Building Programme (LCBP)	E-on Energy	Only funds projects that do not exceed heat output of 45kW
2.	Scottish Biomass	Scottish Government	Closed – no longer

	Support Scheme		operates
3.	Low Carbon Building Programme (LCBP)	Community Energy Scotland	Only fund projects that do not exceed heat output of 45kW.
4.	Scottish Community & Householder Renewables Initiative (SCHRI)	Community Energy Scotland	Possible funds up to max £150,000
5.	Climate Challenge Fund	Keeping Scotland Beautiful	Unable to fund energy generation equipment such as a biomass boiler.
6.	Scottish Rural Development Programme (SRDP)	Scottish Government/ Forestry Commission	Local Authority eligible to apply
7.	ESCO Business Model	Various companies offering the ESCO model.	Good candidate for the ESCO Business Model. Council would sign into a lease agreement for the boiler.
8.	CEEF (Central Energy Efficiency Fund)	Operates as a loan that is required to be repaid 10% interest.	Need to prove annual financial savings over £50,000
9.	Economic Development Budget	European Funding	Unsuccessful.

- 5.2 The only positive response officers have received in obtaining grant funding has been through Community Energy Scotland (CES). A development officer from CES has attended a site visit and submitted a report on his recommendations (Please refer to Appendix A) The maximum grant available is £150,000.
- 5.3 An alternative funding option that has been adopted by a relatively small number of organisations is a lease arrangement with an energy supplier (otherwise known as the ESCO Model). In essence the supplier would fund the capital works with the Council entering into a hire purchase arrangement. Initial investigations indicate that financial savings would not be made within the first 10-15 years.
- 5.4 Within the Council's budget a sum of £200,000 has been ear-marked for heating improvements at Speyside Community High School for 2012/13. Further funding of upto £575,000 over 2012-14 is also available for heating improvements to schools. This could be used to support the Biomass Project if it were identified as a major priority.
- 5.5 In summary, the provision of a Biomass boiler and back up boiler at Speyside Community High School will cost in the order of £600,000. Further efficiency improvements to the heating system are likely to cost £230,000. Current

Council funding for the project amounts to £200,000. The current maximum grant available is £150,000. Consequently funding of between £250,000 to £500,000 is required if the project is to go ahead. The pay back period for the boiler and additional improvements is being investigated and is expected to be available shortly. This information together with recommendations for the future of this project will be brought to Committee in November.

6. SUMMARY OF IMPLICATIONS

(a) Single Outcome Agreement/Service Improvement Plan

Single Outcome Agreement

The local key priority(s) within the Single Outcome Agreement:

- (i) Health – Improving the health and well being of the population
- (ii) Economic Development – Impacting on the low wage economy and diversifying the economy

Service Improvement Plan

- (i) Dimension 5 – work in partnerships with other agencies and the community
- (ii) Dimension 9 – Promote well-being and respect
- (iii) Dimension 11 – Provide high quality environments for learning and leisure

(b) Policy and Legal

Members will be aware that at the Full Meeting of The Moray Council on 31 January 2007, Council agreed to commit to the Scotland's Climate Change Declaration. By signing this declaration, Council has committed itself to a number of goals. This includes targets and time-scales to achieve a significant reduction in greenhouse gas emissions from our own operations. The proposed development will make a significant contribution in achieving this target.

(c) Resources (Financial, Risks, Staffing and Property)

Financial

If the Biomass project is regarded a high priority, the department's capital programme will require adjusting to allocate funds to increase the current £200,000 budget. This would be a matter which would require to be referred to Policy and Resources Committee.

Risks

A delayed decision on the Council's financial options would result in a delay on installation of a new heating system at Speyside Community High School. The current oil boilers at the school require replacing as a matter of urgency within the next four years.

Staffing

Officers from the following Departments: Educational Services, Central Services and Environmental Services will be directly involved in this project. This project will be incorporated into their existing workloads.

Property

The proposed project will have an impact on the estate of Speyside Community High School and planning consent will need to be secured for this project. Officers from the Property Services and the Estates Section will be involved at every stage of the project's development.

(d) Consultations

In preparing this report, consultations have been undertaken with Principal Accountant, Principal Architect, Senior Estates Surveyor, Principal Solicitor, Educational Resources Manager, Procurement Officer, Energy Officer, Business Projects Officer, Educational Services Senior Management Team. Comments received have been incorporated under the appropriate sections in this report.

7. CONCLUSION

- 7.1 Costs for the development of a Biomass Heating System and other improvements at Speyside Community High School have been developed. These exceed the currently available funding and grant opportunities. A further report providing information on other funding opportunities and pay back periods will be provided in November.**

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Background Papers: Contained within Educational Services File (Project Officer)
Ref: DMD/JR/Reports/Children and Young People's Services
Committee/7 October 2009/Speyside Biomass Project –
Speyside High School