

**Bolsover District Council**

**Executive**

**11 August 2014**

**Victoria House - Heating**

**Report of Cllr K Reid, Portfolio Member for Housing**

This report is public

**Purpose of the Report**

- To make members aware of an option to fit a biocoal heating system at Victoria House, and the financial implications of this.

**1 Report Details**

- 1.1 The current heating system at Victoria House is 20+ years old. This consists of 6 gas fired boilers. Due to the age of the system, its inefficiency, and increased unreliability the system is at the end of its useful life and is due for replacement.
- 1.2 A tender has been run for the replacement boilers. This gained only one return with a price of £72,000 against an estimate value of £30,000 (and a recent price for a comparable scheme of £23,000). This does not appear to offer value for money and it is recommended that this is not pursued.
- 1.3 Coincidentally, the Council has also been approached by an organisation called the Rapid Technology Transfer Group (RTTG) (a private company) who are promoting the use of biocoal heating. We had initial discussions about options for New Bolsover and also for heating provision in our other district heating sites .
- 1.4 The gist of these proposals is that RTTG would cover the up front capital costs of a replacement heating system, but in return would take the RHI (Renewable Heat Initiative) Funding. Moreover, they offer to fix the price of the biocoal to increase no more than inflation for the 20 years of the RHI, and a lease agreement for the same length. This is part of a Government initiative to reduce carbon.
- 1.5 Given the excessive cost of the replacement gas boilers, we also asked RTTG for a proposal for Victoria House. An outline proposal has been received this includes (see appendix for further details)
  - A fully funded and fully fuelled system with full maintenance and a performance guarantee.
  - A 190kwh system – consisting of 2 biomass boilers (one for winter and one for milder weather)

- Full heating and hot water to all flats and communal areas

For an annual cost that equates to £5.60 per unit which compares to the current charge of £17.00 per flat per week (over 52 weeks).

The proposal may also include additional measures such as solar thermal or photovoltaic panels that are coupled with the latest lithium battery technology. This could be used for scooter charging. This would allow for the PV electricity to be used over night instead of only when the sun is shining. Also included are the replacement radiators and associated pipe work at no additional costs to the Council. These will be subject to an onsite assessment, and may be postponed until after the scheme is reroofed.

- 1.6 The proposal appears to offer value for money, although there have been no formal comparisons, and importantly effectively fixes costs for the next 20 years when fuel prices are expected to increase more than inflation.
- 1.7 There has been no formal tender process for this work and the procurement position is still being considered. However, the capital costs would not be met by the Authority, but only the revenue costs.
- 1.8 There is a need to replace the boilers at Victoria House before winter and there is therefore limited time to enter into a contract to ensure that this happens before the cold weather starts. The contract would have a 2 month lead in period. It is therefore proposed to proceed with this proposal at Victoria House, subject to legal services being satisfied as to the Council's position under procurement law and the Council's Constitution as well as with the terms of the agreement with the vendors. The installer has also factored in a sensitive switchover to ensure that the vulnerable residents are NOT left without heating and hot water whilst the scheme is being installed.
- 1.9 If this scheme is successful, and if similar proposals might be agreed, it is proposed that Victoria House is regarded as a pilot scheme with the view of introducing similar heating systems to other housing with District Heating. These latter schemes would certainly have to be part of a procurement exercise, whether by tender or framework agreement.
- 1.10 For completeness. The boiler house at Victoria House has been found to contain asbestos in the ceiling. This will need to be removed before any boiler is replaced, regardless of type. The cost of this work is around £10,000.

## **2 Conclusions and Reasons for Recommendation**

- 2.1 That a biocoal system at Victoria House provides a suitable, cheaper, greener alternative to gas systems. It is also future proofing the Council against ever increasing vulnerability over the centralised energy network. National strategy is looking to decentralise energy distribution and this is a key flagship of this within the district.

- 2.2 That a long term fix for fuel costs, at a low cost, would benefit tenants and the authority.
- 2.3 That similar systems would benefit other housing with District Heating Systems.
- 2.4 However, the procurement position still needs to be determined.

### **3 Consultation and Equality Impact**

- 3.1 The project is specifically and proactively targeting the District's most vulnerable residents that are most at risk of fuel poverty. Included in this package will also be a full consultation process with the residents and ongoing lifestyle support from the Affordable Warmth Coordinator / RTTG. This will ensure that all residents are confident, comfortable and safe.

### **4 Alternative Options and Reasons for Rejection**

- 4.1
  - a. Do nothing – rejected as current system requires urgent replacement
  - b. Gas Heating – rejected due to cost

### **5 Implications**

#### **5.1 Finance and Risk Implications**

This proposal covers the capital costs of a replacement heating system with the Council paying only the ongoing maintenance and offers a long term fix for fuel process.

There is some risk of using new technology and a new supplier however this is largely mitigated by an insurance backed scheme offered by the vendor.

The proposed systems can use alternative biofuel sources.

#### **5.2 Legal Implications including Data Protection**

The procurement position and whether this can be dealt with without a tender is yet to be determined. Legal Services will consider this prior to any contract being let.

Legal services will need to be satisfied with the contractual arrangements before proceeding with this scheme

#### **5.3 Human Resources Implications**

None directly.

## 6 Recommendations

6.1 That delegated powers be given to the Chief Executive to determine how to proceed to resolve the problem, including but not limited to:

- a) Seeking and evaluating tenders and awarding a contract;
- b) Waiving standing orders;
- c) Agreeing the terms and conditions of the contract entered into;
- d) Using an appropriate framework.

6.2 That should a contract be awarded for a biocoal heating system at Victoria House the effectiveness of the scheme is monitored and a benefits realisation report is provided to members at a future meeting.

6.3 That officers produce a timetable and specifications for tendering heating systems at other housing schemes with District Heating.

## 7 Decision Information

<b>Is the decision a Key Decision?</b> (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	Yes/No
<b>District Wards Affected</b>	
<b>Links to Corporate Plan priorities or Policy Framework</b>	

## 8 Document Information

Appendix No	Title
<b>Background Papers</b> (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
<b>Details provided by RTTG</b>	
<b>Report Author</b>	<b>Contact Number</b>
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