

AGENDA

Meeting: CABINET CAPITAL ASSETS COMMITTEE

Place: Council Chamber - Council Offices, Bradley Road, Trowbridge, BA14 0RD

Date: Wednesday 18 January 2012

Time: 2.30 pm

Please direct any enquiries on this Agenda to James Hazlewood, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01722 434250 or email james.hazlewood@wiltshire.gov.uk

Press enquiries to Communications on direct lines (01225)713114/713115.

This Agenda and all the documents referred to within it are available on the Council's website at www.wiltshire.gov.uk

Membership:

Cllr John Noeken	- Resources
Cllr Fleur de Rhe-Philippe	- Strategic Planning, Economic Development and Tourism
Cllr Jane Scott OBE	- Leader of the Council
Cllr Toby Sturgis	- Waste, Property and Development Control Services
Cllr John Thomson	- Deputy Leader and Adult Care, Communities and Housing

AGENDA

Part I

Items to be considered while the meeting is open to the public

Key Decisions Matters defined as 'Key' Decisions and included in the Council's Forward Work Plan are shown as 

1. **Apologies**

2. **Minutes of the previous meeting** (Pages 1 - 4)


To confirm and sign as a correct record the minutes of the Cabinet (Capital Assets) Committee meeting held on 15 November 2011.

3. **Chairman's Announcements**

4. **Declarations of interest**

To receive any declarations of personal or prejudicial interests or dispensations granted by the Standards Committee.

5. **Oil to Biomass Boiler Conversion Programme** (Pages 5 - 36)

 To consider the attached report of the Service Director for Economy and Enterprise.

6. **Capital Allocation and Monitoring** (Pages 37 - 48)

To consider the attached report of the Chief Finance Officer.

7. **Warminster Depot** (Pages 49 - 54)

To consider the attached report of the Corporate Director (Transformation and Resources).

8. **Urgent items**

Any other items of business that the Chair agrees to consider as a matter of urgency.

9. **Exclusion of the Press and Public**

To consider passing the following resolution:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in the following item(s) because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 1 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

Part II

Item(s) during consideration of which it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed

10. **Warminster Depot** (*Pages 55 - 56*)

To consider the attached confidential financial information relating to the proposal at item 7 above.

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CABINET CAPITAL ASSETS COMMITTEE

MINUTES of a MEETING held in COUNCIL CHAMBER - COUNCIL OFFICES,
MONKTON PARK, CHIPPENHAM, SN15 1ER on Tuesday, 15 November 2011.

Cllr Jane Scott OBE	Leader of the Council
Cllr John Noeken	Cabinet Member for Resources
Cllr Fleur de Rhe-Philippe	Cabinet Member for Economic Development and Strategic Planning
Cllr Toby Sturgis	Cabinet Member for Waste, Property Environment and Development Control Services
Cllr John Thomson	Deputy Leader and Cabinet Member for Adult Care, Communities and Housing

Also in Attendance: Cllr John Brady
Cllr Lionel Grundy OBE
Cllr Alan Macrae

68. Apologies

There were no apologies for absence.

69. Minutes of the previous meeting

Resolved:

To approve as a correct record and sign the minutes of the meeting held on 14 September 2011.

70. Chairman's Announcements

None.

71. Declarations of interest

There were no declarations of interest.

72. **Capital Monitoring Report**

Cllr John Brady, Cabinet member for Finance, Performance and Risk, presented a report which informed the Committee on the position on the 2011/12 Capital Programme as at 30 September 2011, and sought approval to recommend to Council, via Cabinet, an addition to the programme.

The report showed the Capital Budget 2011/12 was now £114.33 million, a reduction of £49.342 million which had been reprogrammed into 2012/13.

The Director of Finance confirmed that the figures set out in recommendation (c) had already been approved, but were set out in the monitoring report for completeness.

Resolved:

- a. **To note the position of the capital programme as at Period 6 in Appendix A.**
- b. **Subject to the approval of the recommendations at item 6 (minute 73 below refers), to recommend, via Cabinet, that Council approve the allocation of the £0.225 million to the Rural Estates Capital Programme.**
- c. **To note the additional budget for the Wiltshire Incubation Environment of £0.375 million, other budget movements of £0.539 million and the £49.342 million reprogramming of budget into 2012/2013.**

Reason for Decision

To inform the Committee of the current position of the 2011/12 capital programme and to highlight changes in the capital programme.

73. **Rural Estates Issue**

Cllr Toby Sturgis, Cabinet member for Waste, Property and Development Control Services, presented a report which highlighted an issue associated with the Council's ability to meet the requirements of the Nitrate Pollution Prevention Regulations 2008 on its Rural Estate and to recommend a solution.

Resolved:

To recommend, via Cabinet, that Council approve the allocation of the additional capital funding to the Rural Estates Capital Programme as follows:

2011/2012	2012/2013	2013/2014
£0.225m	£0.4m	£0.195m

Reasons for Decision

To reduce the risk of prosecution, loss of income and to safeguard the Council's reputation.

74. Priority Schools Building Programme

Cllr Lionel Grundy, Cabinet member for Children's Services, introduced the report which summarised key elements in the government's new Priority Schools Building Programme, considered the implications and opportunities for Wiltshire Council, and set out the details of the Expressions of Interest which had been submitted under the scheme.

It was noted that the Department for Education had asked for more information on two of the Council's bids, although it was emphasised that this did not necessarily indicate any success. A final decision would be known by the middle of December.

It was confirmed that all relevant Members of Parliament had been informed of the submission of Expressions of Interest.

It was noted that consideration would have to be given to the financial implications of any successful bids in the context of the Private Finance Initiative (PFI) arrangements.

Resolved:

- a. **That the Cabinet (Capital Assets) Committee notes that the Expressions of Interest for the Priority Schools Building Programme have been submitted and the future time scales.**
- b. **That the Committee approves the delegation of authority to the Corporate Director (Children and Education) in consultation with the Cabinet Member for Children's Services to agree the submission of any final bid to the Priority Schools Building Programme should proceed to the next stage subject to clarity and affordability related to costs across the life of the project, if the Expression of Interest is accepted by the Department for Education.**

Reasons for Decision

For the Committee to note a decision on bidding for funding through the government's Priority Schools Building Programme for additional education

capital funding as a consequence of the timescales and the future need for a rapid response.

75. Urgent items

None.

(Duration of meeting: 2.00 - 2.25 pm)

These decisions were published on the 17 November 2011 and will come into force on 25 November 2011

The Officer who has produced these minutes is James Hazlewood, of Democratic Services, direct line 01722 434250 or e-mail james.hazlewood@wiltshire.gov.uk
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Wiltshire Council

Capital Assets Committee

18 January 2012

Subject: Oil to biomass boiler conversion programme

**Cabinet Member: Cllr Toby Sturgis
(Waste, Property, Environment and Development
Control Services)**

Key Decision: Yes

Executive Summary

That the authority invests up to £2.73 million in a programme of biomass boiler installations in the schools estate before November 2012. This project is projected to deliver a £3.3 million negative Net Present Value to the authority over the life of the scheme. This shows that it will more than pay back the initial capital investment over the 20 years including the inflation effects on money and generates an overall surplus due to the Government's Renewable Heat Incentive (RHI) over 20 years.

It will reduce the Council's carbon footprint by 1,614 tCO₂, or 14% of the corporate carbon emissions reduction target. This in turn has the potential to save a projected £1 million of carbon trading costs (CRC costs) over 20 years from the schools estate and will deliver reputational benefits from an improved position in the CRC league table.

The proposed approach is for the Council to pay for both the biomass boiler installation and fuel, and charge schools for the supply of heat.

The programme will also generate employment and improve woodland management locally by stimulating a demand for biomass fuels.

Proposals

- a) To agree a commitment to allocate capital funding for the programme of works as outlined in paragraph 12 (up to £2.73 million of funding to deliver a £3.3 million negative Net Present Value to the authority over the life of the scheme).
- b) To delegate authority to Alistair Cunningham, Service Director for Economy & Enterprise, to implement the programme, in consultation with the Service Director for Finance and the Service Director for Business Services.

Reason for Proposal

From November 2011 the Government's Renewable Heat Incentive (RHI) scheme encourages the use of biomass for the generation of heat. The availability of this incentive significantly increases the cost effectiveness of converting from oil to biomass and would generate a revenue stream for 20 years through regular subsidy payments.

The heating of buildings generates carbon emissions through the burning of fossil fuels. The Council is committed to reducing carbon emissions and one approach is to use a renewable (carbon neutral) heating fuel, such as wood (biomass).

The authority is also responsible for maintaining and replacing boiler plant in foundation and grant maintained schools, some of which fall within the scope of this proposal. As there is currently insufficient finance available to upgrade many of the older, inefficient oil boilers, the financial opportunities made available through the RHI could be used to finance these replacements.

A significant capital investment is required to maximise the financial, carbon reduction, reputational and other benefits achievable through a larger programme that would otherwise be financed piecemeal from existing budgets.

There is an expectation that the generous tariff available through the RHI scheme will be reviewed after the first year and could be revised downwards. A programme of works needs to be initiated as early as possible to reduce the risk of failing to secure the maximum level of subsidy currently on offer. In order to provide certainty to investors, the Government has committed to maintaining the advertised support levels for 20 years for all installations prior to a review.

The development of a local biomass supply chain is integral to this proposal so that local economic benefits are realised. There is the potential to bring woodlands in Wiltshire into management in order to provide the biomass fuel once a demand has been established. European funding will be explored to maximise the reach of this element of the programme.

Alistair Cunningham
Service Director, Economy & Enterprise

Wiltshire Council

Capital Assets Committee

18 January 2012

Subject: Oil to biomass boiler conversion programme

**Cabinet member: Cllr Toby Sturgis
(Waste, Property, Environment and Development
Control Services)**

Key Decision: Yes

Purpose of Report

1. This report is to outline the case for an oil to biomass boiler conversion investment programme in schools to be completed by November 2012. The proposed approach is for the Council to pay for both the biomass boiler installation and fuel, and charge schools for the supply of heat. This project is projected to deliver a £3.3 million negative Net Present Value to the authority over the life of the scheme. This shows that it will more than pay back the initial capital investment over the 20 years including the inflation effects on money and generates an overall surplus due to the Government's Renewable Heat Incentive (RHI) over 20 years. The programme will reduce the Council's carbon footprint by 1,614 tCO₂, saving a projected £1 million of carbon trading costs (CRC costs) over 20 years from the schools estate and delivering reputational benefits from an improved position in the CRC league table. The programme will also generate employment and improve woodland management locally by stimulating a demand for biomass fuels.

Background

2. The Council has a corporate objective to reduce its carbon footprint by 11,825 tCO₂ by 2013-14. Biomass fuels are carbon neutral and therefore represent a significant carbon saving over carbon-intensive fossil fuels such as oil. Further information on biomass and what other councils are doing is contained in **Appendix C**.
3. The RHI scheme is a Government initiative to stimulate the generation of renewable heat in the UK and opened to new applicants during November 2011. The scheme is similar in design to the Feed-In Tariff (FIT) which promoted the generation of renewable electricity. The FIT has recently been reviewed due to overwhelming demand and the tariffs have been reduced significantly to reflect reduction in equipment capital costs since the scheme began.

4. The RHI functions in a similar way to the FIT, with payments being made from the scheme administrator (Ofgem) to the boiler operator using a formula based on the quantity of heat produced by a qualifying project. The tariff for biomass has been set for the first year and will be reviewed in November 2012, although an earlier review is possible if prompted by unexpectedly high uptake.
5. A variety of factors will affect the uptake of RHI-qualifying projects. These include the excellent financial return, perception of a low-risk long-term revenue generation opportunity and the likelihood of capital investment intended for FIT-qualifying projects being diverted into RHI projects following the FIT review. These factors, combined with the number of qualifying projects that have already been installed by other organisations, could indicate that the RHI scheme will quickly overspend against forecasts and the review planned for November 2012 will result in similar changes to those applied to the FIT, possibly including closure of the scheme to new applicants.
6. Further detail on the RHI, along with a worked example of the income that can be generated for a site, can be found in **Appendix D**.
7. Strategic Property Services has responsibility for maintaining and replacing the boiler plant at grant-maintained schools. Where boilers reach the end-of-life the expense of replacement falls to the corporate buildings maintenance budget. This programme would reduce the existing cost liabilities in this regard.
8. The authority is permitted to charge for the sale of heat and electricity and there is a precedent for this within the corporate estate, where a leisure centre is providing heat to a school on the same site. Recharging for other services, for example, access to facilities, is commonplace.
9. The development of a local biomass supply chain is integral to this proposal so that local economic benefits are realised. There is the potential to bring woodlands in Wiltshire into management in order to provide the biomass fuel once a demand has been established. European funding will be explored to maximise the reach of this element of the programme.

Main Considerations for the Council

10. To enable the full cost benefit to be captured, the Council will need to charge the schools for the supply of metered heat. This will be through an agreed tariff that recovers the costs to the authority of operating the equipment. The Council will procure the fuel in bulk and include the cost of the fuel in the charge to schools.
11. Existing cost liabilities held by Strategic Property Services with regard to future boiler replacement and increasing maintenance costs of aging plant can be resolved cost-effectively through this programme. The policy for oil boiler replacement is currently that an oil boiler system will not be replaced like-for-like unless an alternative is not technically viable. Where a range of alternatives is available the expectation is that biomass will be preferred as a low risk and cost-effective option.

12. The likely limited window for entering the RHI scheme means that the move from oil to biomass will be achieved most cost-effectively if brought forward into a large, co-ordinated programme, rather than as individual works spread over a number of years. Once the RHI scheme has closed it will still be preferable to convert to biomass, but this will not realise the additional financial rewards currently on offer. In order to enter the RHI scheme before November 2012, works will need to be carried out in the school summer holidays and October half term, which presents a tight timescale for the programme (see **Appendix A**).
13. Table 12.1 presents the proposed investment option for this programme. Further detail on the sites included within the programme scope and the detailed business case behind the figures contained within the table can be found in **Appendix B**. Progressing with a large scale roll out of biomass can generate a number of benefits including:
- Financial efficiencies associated with the procurement of a large quantity of equipment and fuel.
 - Operational efficiencies when servicing and managing the boiler infrastructure.
 - Reputational benefits from the carbon savings realised through using this carbon neutral fuel source, improving the council's position in the CRC league table.
 - The ability to demonstrate this technology, educating others across the county.
 - The creation of a sizeable local demand for biomass which will stimulate the biomass market.
 - Benefits to schools include a reduction in CRC costs (there is no charge for emissions from biomass); a saving of staff time which is currently spent procuring oil; and an insulation from future oil price increases.

Recognising the significant investment requested for this oil to biomass conversion programme, it should be recognised that this programme is scalable. Should the Committee feel that a project valued at £2.73 million cannot proceed, it is requested that a lower capital sum be allocated to enable it to progress on a smaller scale.

Table 12.1: Summary of capital required for oil to biomass boiler conversion Programme

Estimated capital (£k)	Revenue income and savings over 20 years less additional costs (£k)	Annual carbon footprint reduction (tCO ₂)	Indicative number of sites
2,730	3,774	1,641	32

14. **Appendix E** shows that this project is projected to deliver a £3.3 million negative Net Present Value to the authority over the life of the scheme. This shows that it will more than pay back the initial capital investment over the 20 years including the inflation effects on money and generates an overall surplus due to the Government's RHI over 20 years. As future inflation rates are difficult to model, these have not been incorporated. It is likely that when inflation is considered, the net income will increase. This is because it is projected that the annual inflationary uplift applied to the RHI payment will offset the increased cost of biomass fuel year on year. However, as the cost of oil is projected to increase sharply, the avoided cost will increase as well.

Benefits to the rural economy

15. The Rural Development Programme for England (RDPE) has already made several investments into the wood fuel supply chain in the Wiltshire and surrounding counties. There have been a number of woodland harvesting investments and a new business has been set up to exploit small pockets of woodland in the Savernake and also Cranborne Chase areas of the county. Forestry skills initiative will provide dedicated funds to support training for woodland managers and foresting. There is also a sustainable hedgerows scheme being developed by Cranborne Chase AONB and this could combine with the schemes promoted by the Silvanus Trust to help farmers exploit small pockets of unmanaged woodland – helping both the farmers income stream and the biodiversity credentials of the woodland. A scheme that supports the woodfuel supply chain would benefit this energy initiative and could be developed under the new rural economy grants scheme by bringing farmers together to provide fuel, but importantly to help control the quality, standard and quantity of wood chip, which the fledgling industry has struggled with in its early years. Further, if successful, Wiltshire could support development of a woodfuel hub for logistics, efficient and productive storage, knowledge sharing and supply chain economies which would be supported by the forthcoming rural growth programme.

Environmental and climate change considerations

16. The replacement of oil plant in favour of biomass will improve local air quality and reduce carbon emissions. There is a further reduction in the risk of localised environmental pollution relating to oil spillage and the general handling of oil products following their replacement with biomass. The long-term sustainability of a biomass fuel source allows the strategic aim of reducing environmental damage to be achieved, along with improvements in local sourcing of fuel and the corresponding distribution carbon footprint.
17. A large roll out of biomass boilers, as indicated in paragraph 12, has the potential to support a local supply chain for the fuel. This could accept wood from the Council's county farm sites, tree surgeons and grounds maintenance contractors working on the Council's behalf, local farmers and potentially household waste recycling centres.

18. If a local supply chain is established, a number of key environmental benefits will be realised:

- A lower carbon footprint associated with the transportation of the fuel.
- Increased biodiversity within managed woodlands.

Equalities Impact of the Proposal

19. The establishment of a local supply chain solution for wood fuel would benefit farmers and rural businesses by generating jobs, investment and a long-term market.

Risk Assessment

20. Although Central Government is encouraging the take-up of biomass, the biomass sector is currently in its infancy which is why the RHI incentive has been made available. As a result a number of risks have been identified.

Table 18.1: Summary of risks and how they could be mitigated.

Risk	Consequence	Mitigation
Review of the RHI prior to programme completion.	Any boilers not installed and certified by the review date will receive a different RHI tariff.	Install boilers in advance of the scheduled November 2012 review date.
Downgrading of the RHI tariff paid for completed installations.	The duration of the payback increases.	Minimal risk as Treasury has guaranteed income for 20 years to all those entering the scheme before review date. More likely to apply to new installations from a certain date.
Inability to install biomass boilers at certain sites.	Technical, planning or other issues may prevent the installation of a boiler or result in additional costs being incurred that affects payback rates.	Effective communication channels should be opened to resolve barriers and if this fails an alternative site could be investigated.
Climate change adaptation.	Reduced demand for heating due to a warmer climate.	Even under UKCLIP projections, heating will still be required onsite and by the time changes are observed (20-30 years) the 20 year RHI term should be coming to an end.
Closure of the school – temporarily or permanently.	Lower RHI revenue received due to less heat demand.	Loss of RHI income will be offset by lower energy bills.
Loss of the asset.	Could result in a permanent loss of RHI income.	Consider insurance compensation in light of an issue occurring.
Significant long term increase in biomass fuel price.	The payback of the programme would be increased.	Development of a local supply chain supported by EU funding.
School status changes.	Loss of income to council if school moves to academy status.	Ensure a contractual agreement is in place that would stand in the event of any future changes in status – see paragraph 30.

Risk	Consequence	Mitigation
Site alterations requiring changes to biomass system.	Replacement or movement of the boiler could result in the RHI incentive being permanently lost.	Contract provisions and consideration of how to retain boiler when developing plans.
Inability to procure biomass of a suitable quality.	Reduces efficiency of boiler plant, increasing fuel consumption.	Developing a local supply chain with agreed fuel standards.
Changes to heat loading of site.	Further energy efficiency projects could reduce the need for heating onsite.	Conservative figures have been used to estimate payback options so future energy efficiency programmes should not adversely affect payback.
Failure of new technology boilers leading to school closure.	School forced to close as heating lost in cold weather.	Retain back up boilers where necessary.

Procurement implications

21. The current intention is to explore procurement of the works and equipment via the existing term contractor framework agreement. This will help in managing the works programme, minimise the risk of failing to capture the full financial benefit and use contractors who are already familiar to both the authority and the site operators.
22. The intention is to tender for an initial short-term supply contract for biomass fuels, and develop a biomass supply chain infrastructure in the medium to longer term. The short-term contract will be tendered through the appropriate route as defined by the authority's Part 11 New Contract Regulations, in compliance with the Public Contracts Regulations 2006 (see **Appendix A** for timeline).
23. In parallel with the compliant procurement process for a short-term supply solution for biomass, work needs to be undertaken to develop the biomass supply chain, including the potential development of local producers, processors and distributors, through a dedicated staff resource. Engagement in this business area would be in line with existing corporate objectives such as to:
 - Reduce exposure of the Council to market price fluctuation
 - Provide a revenue stream
 - Increase engagement with local producers, distributors and consumers
 - Create jobs
 - Improve the competitiveness of Wiltshire businesses
 - Utilise existing council assets and capabilities for improved resource efficiency

Financial Implications

24. Planned capital spend of £2.73 million would deliver 32 schemes. **Appendix E** shows this scheme has a negative Net Present Value (i.e. a return on investment) of £3.3 million over the 20 year life. The major factor in producing such a good return on the initial investment is that the scheme assumes that over 20 years approximately £5.6 million is captured from the RHI. There are risks to the delivery of the RHI income which are contained within the report; however, at present the scheme is approved by central government and funding from the Treasury is in place to deliver this, with income for 20 years guaranteed to all those entering the scheme before the review date. If the situation changes further reports would have to be returned to members at a later date.
25. These figures are the minimum projected savings assuming that oil prices remain static. In reality with the rising cost of fuel the savings potential is greater from the cost avoidance on oil price increases. The Council will procure biomass on behalf of schools and recover all fuel, maintenance and project management costs by charging the schools for heat supplied. Charges will be set at a level equivalent to what schools are currently paying for the supply of oil.
26. In addition, the schools estate will benefit from a reduced CRC payment as shown in **Appendix E**. Showing the total negative Net present value to the Council as a whole including schools of £3.866 million (£3.3 million for Wiltshire Council and £0.6 million for School estate). The CRC savings from this programme are projected to total £1 million over 20 years (assuming that the cost of carbon increases by £2 per tonne per year).
27. Additional costs factored into the business case have been suggested for an additional post within Strategic Property Services to administer the scheme and to manage the boiler network. A further three year FTE post based in Economy & Enterprise is suggested to develop a local supply chain for the fuel and obtain European funding. Further work would be required in this area but these additional costs have been incorporated into the Business case and can be covered by the RHI payment and associated savings.

Legal Implications

28. This programme will rely on the sale of metered heat to site schools, including Academies. The Council has the power to sell electricity and heat generated from CHP plants and renewable sources by the Local Government (Miscellaneous Provisions) Act 1976 and the Sale of Electricity by Local Authorities Regulations 2010. The establishment and setting of a charge will be done in line with existing guidance documentation, to ensure all costs are recovered but no profit is made.
29. Service level agreements (SLAs) will be required with all schools participating in the programme. The content of these agreements will be confirmed by discussion with all necessary service areas, site operators and related organisations. These agreements will as a minimum detail the liabilities in relation to the use of the plant, the terms of payment, the unit rate pricing structure for the sale of heat and the retention of legal ownership of the biomass boilers by the Council.

30. Where schools convert to Academy status after signing an SLA with the Council, the Council would seek to enter into a new Council-Academy SLA as soon as the Academy comes into existence. The following are significant risks:
- (i) The new Academy may refuse to continue to purchase heat from the Council, notwithstanding any agreement entered into by the governing body of the predecessor maintained school. The Academy will be a new legal entity created on conversion and it is not possible to bind the Academy prior to its creation but only with its express agreement following conversion.
 - (ii) The new Academy will be subject to EU Procurement Rules in the same way as these rules apply to the Council's procurements. Purchasing heat from the Council directly and without competition may put the Academy in breach of the EU Procurement Rules. While adherence to the Procurement Rules in its procurements is an issue for the Academy itself nonetheless a challenge to the Academy could result in unexpected costs for the Council and (in the worst case) result in the SLA with the Academy being declared ineffective, so putting into question the Academy's ability to purchase heat from the Council.
 - (iii) It is impossible to predict how many of the maintained schools identified in **Appendix B** as potential candidates for this project will eventually convert to Academy status.
31. To mitigate the risks detailed in paragraph 30 above, the Council could take the following steps:
- (i) The Council should ensure that all SLAs include retention of legal ownership in the biomass boiler by the Council;
 - (ii) With legal ownership in the biomass boilers retained, the council would be able to exclude the boiler from the transfer of assets to the new Academy which occurs upon conversion. The Council would then be able to remove the relevant boiler from an Academy which refuses or is prohibited (by EU Procurement Rules) from purchasing heat from the Council. However, re-siting a biomass boiler would be of limited value to the Council due to inevitable loss of the RHI and cost implications;
 - (iii) The Council could seek to ensure that (in the case of a community school) the 125 year lease entered into by the Council as landlord and the new Academy or (in the case of a voluntary or foundation school) a separate side agreement to be negotiated with the new Academy, contains clawback provisions for RHI related costs from the Academy. However, there is no guarantee that this would be successfully negotiated;
 - (iv) Woodford Valley CE Primary School is one of the potential schools identified in **Appendix B**. This school is due to convert to Academy status in Spring 2012. Any plans for this school should therefore be delayed so that no investment is made before an SLA is signed with the new Academy.

32. The following points should be noted:
- (i) The Department for Education is unlikely to assist the Council in enforcement of any agreement with an Academy relating to RHI costs already agreed with the predecessor maintained school.
 - (ii) The Department for Education upholds the principle that an Academy should be financially no better or worse off than its predecessor maintained school as a result of conversion. It may be that any attempt to remove a biomass boiler from an Academy site would be prevented by this principle, due to the cost involved in replacing it by the school.
 - (iii) For some time the Council has successfully negotiated clawback of CRC related costs and penalties with new Academies since this issue was identified in the summer. In these cases, there is no direct financial benefit to the Council in reduction of CRC related costs, although overall carbon reduction and reputational benefits would of course continue.
 - (iv) The Council's proposal under which it would charge individual schools (including Academies) for their CRC costs is mentioned elsewhere in this report. In conjunction note DECC's discussion paper titled "Review of Academies' Participation in the CRC Energy Efficiency Scheme". Ultimately, it is possible that government may remove the Council's responsibility for Academies' emission costs.

Options Considered

33. For schools that currently use oil, an evaluation of alternative heating options has been undertaken. The findings are summarised in Table 28.1. After undertaking this exercise it was determined that the most financially and environmentally sustainable fuel source to replace oil boilers is biomass.

Table 28.1: Comparison of alternative fuel sources with heating oil

Alternative	Benefits	Detractions	Carbon impact ¹	Financial impact	Assessment of viability
Natural gas	Low cost, low carbon, no storage, reliable	Relatively costly to install, very occasional service disruption	37.3% less CO ₂ emitted per kWh	Oil used in areas off gas grid. Connection to network would be prohibitively expensive.	Not viable.
LPG / petroleum fuels	Lower cost, lower carbon	Special storage requirements can be limiting, few suppliers	15% less CO ₂ emitted per kWh	Due to lack of competition amongst suppliers not as financial advantageous as biomass.	Currently viable, but biomass fuel supply is cheaper and could be procured locally.
Electric heat pumps	Lower cost, lower carbon, avoidance of stored fuels, potential to make heating zero carbon	Total reliance on electricity, reliability issues, requires major changes to heating system	91% more CO ₂ emitted per kWh	Significant costs required in relation to change the heating system infrastructure at each site.	Not viable.

Alternative	Benefits	Detractions	Carbon impact¹	Financial impact	Assessment of viability
Conventional electric heating	Avoidance of stored fuels	Higher cost, higher carbon, Total reliance on electricity	91% more CO ₂ emitted per kWh	High cost per unit of electricity used compared with oil	Not viable
Biomass	Lower cost, carbon neutral, variety of suppliers, 20-year RHI subsidy	Relatively expensive to install, fuel store must be located adjacent to boiler	Carbon neutral	Expensive to install but incentivised through the RHI. Biomass fuel cheaper than all other options.	Viable

¹ Figures obtained using 2011 DEFRA GHG conversion factors

34. If this programme does not go ahead, the Council will retain a significant liability for the replacement of oil fired boilers in schools that have reached the end of their life (each boiler costs upwards of £10,000 to replace).

Alistair Cunningham
Service Director, Economy & Enterprise

Report Author:
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The following unpublished documents have been relied on in the preparation of this Report:

None

Appendices:

- Appendix A - Procurement and installation timelines
- Appendix B - List of sites and detailed business case
- Appendix C - Briefing note on biomass
- Appendix D - Briefing note on the Renewable Heat Incentive
- Appendix E - Financial model – business case for biomass boiler programme

Timeline

Procurement of short term biomass fuel supply	When task needs to be completed
Undertake a survey of the biomass fuel market to evaluate different fuel types, delivery options and local, regional and national capacity to ensure security of our supply	January 2012
Agree the specification for biomass fuel that the council will tender for	February 2012
Prepare formal tender documentation.	By mid March 2012
Issue OJEU advert	Mid March 2012
6 week OJEU advertising period	Between mid March and the end of April
Evaluation of tender bids, testing of biomass samples, award of contract and 10 day stand still period	Between the start of May and mid June
Initial order of biomass placed	July 2012
First delivery of biomass to be received at sites	August 2012

Installation	When tasks need to be completed
Undertake surveys at each of the sites due to have a biomass boiler installed. This is with a view to: <ul style="list-style-type: none"> • Determining whether a standalone containerised biomass boiler can be installed or if alterations to the existing boiler / fuel storage area need to be undertaken. • Conclude the size of boiler required for each site. • Develop plans reflecting where the boiler will be placed and how it will integrate into the existing heating system. • Apply for planning permission (where appropriate). 	January and February 2012
Forward details of site surveys to Strategic Property Services term contractor who will implement the project.	March 2012
Term contractor to have procured and had delivered to the appropriate sites biomass boilers that are going to be installed where alterations are going to be made to existing boiler / fuel storage areas.	Mid July 2012
Term contractor to install boilers at sites where alterations are to be made to existing boiler / fuel storage areas.	From mid July to the end of August 2012 (school summer holidays)
Undertake ground works at sites where containerised biomass boilers are going to be located.	From mid July to the end of August 2012 (school summer holidays)
Containerised biomass boilers to be delivered and fitted.	October half term

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Appendix B: List of sites and detailed business case

Table B1 – List of schools to be included in programme

This list is subject to final technical feasibility, planning and other considerations. Some of the facilities listed may be substituted for other eligible sites as the programme progresses and the issues are addressed.

School	School Type	School Type	Capital Cost	RHI Income	CO ₂ Reduction	Annual Charge to School in Yr 1	Net Annual Cost to School in Yr 1	Net Annual Cost to Authority in Yr 1
Amesbury Christ The King Catholic Primary School	VA	Primary school	70,000	15,224	69	15,991	-352	-19,892
Newton Tony CE VC School	VC	Primary school	70,000	13,397	61	14,072	-309	-17,505
Winterslow CE Aided Primary School	VA	Primary school	70,000	13,260	60	13,927	-306	-17,325
Trowbridge The Clarendon College	Academy	Secondary school	150,000	17,119	162	40,945	-724	-29,071
Tidworth Clarendon Junior School	FD	Primary school	70,000	10,267	47	10,784	-237	-13,415
Chippenham St Mary's Primary	VA	Primary school	70,000	10,195	46	10,709	-235	-13,321
Trowbridge St Augustine's Catholic School & College	Academy	Secondary school	150,000	15,811	153	35,519	-781	-26,179
Durrington Avon Valley College	FD	Secondary school	170,000	16,965	174	40,307	-886	-28,731
Devizes Bishops Cannings CE VA Primary	VA	Primary school	70,000	9,544	40	10,025	-177	-12,471

School	School Type	School Type	Capital Cost	RHI Income	CO ₂ Reduction	Annual Charge to School in Yr 1	Net Annual Cost to School in Yr 1	Net Annual Cost to Authority in Yr 1
Ludgershall Castle Primary School	FD	Primary school	120,000	12,371	88	21,422	-1100	-18,573
Warminster New Close Primary School	CY	Primary school	70,000	8,830	40	9,275	-204	-11,537
Tidworth Zouch Primary School	FD	Primary school	70,000	8,343	38	8,763	-193	-10,901
Salisbury Wyvern College	VA	Secondary school	150,000	13,350	109	25,308	-557	-20,738
Durrington CE Controlled Junior School	VC	Primary school	70,000	7,327	33	7,696	-169	-9,574
Woodford Valley CE Aided School	VA	Primary school	70,000	7,179	33	7,540	-166	-9,380
West Ashton CE VA Primary School	VA	Primary school	70,000	7,155	32	7,515	-165	-9,349
Melksham Forest and Sandridge CE Primary School	VA	Primary school	70,000	6,838	31	7,182	-158	-8,935
Tisbury St John's CE Primary School	VC	Primary school	70,000	6,802	31	7,144	-157	-8,887
Great Bedwyn CE School	VC	Primary school	70,000	6,631	30	6,965	-153	-8,664
Seend CE Aided Primary School	VA	Primary school	70,000	6,252	28	6,567	-144	-8,169
Holy Trinity CE Primary Academy	Academy	Primary school	70,000	5,691	24	5,978	-106	-7,436
All Cannings CE	VC	Primary	70,000	5,657	26	5,942	-131	-7,391

School	School Type	School Type	Capital Cost	RHI Income	CO ₂ Reduction	Annual Charge to School in Yr 1	Net Annual Cost to School in Yr 1	Net Annual Cost to Authority in Yr 1
Primary School		school						
Market Lavington St Barnabas CE School	VC	Primary school	70,000	5,413	25	5,686	-125	-7,073
Broad Hinton CE Primary School	VC	Primary school	70,000	5,413	23	5,685	-100	-7,072
Luckington Primary School	CY	Primary school	70,000	5,374	22	5,645	-100	-7,022
Woodborough CE Aided Primary School	VA	Primary school	70,000	5,340	22	5,608	-99	-6,977
Rushall CE VA School	VA	Primary school	70,000	5,331	22	5,599	-99	-6,965
Warminster Kingdown School	Academy	Secondary School	90,000	5,645	41	9,560	-210	-8,436
Idmiston St. Nicholas CE Aided Primary School	VA	Primary school	70,000	5,088	23	5,344	-118	-6,648
Chippenham Hardenhuish School	Academy	Secondary	150,000	8,804	64	14,909	-328	-13,156
Cherhill CE Primary School	VA	Primary school	70,000	4,878	22	5,124	-113	-6,374
Seagry CE Primary School	VC	Primary school	70,000	4,872	22	5,117	-113	-6,366
Minimum Lifetime Discounted Cost (20 years)							-£655,699	-£3,210,281

Benefits to the council of using biomass boilers

a) Carbon reduction potential

Oil has the highest carbon content of all stored fuels and a typical primary school would emit in the region of 20-40 tonnes of CO₂ per annum from its oil consumption. The Carbon Reduction Commitment recognises biomass as a zero-carbon technology. If **all** oil consumption in the corporate estate and schools at sites that have not recently been fitted with new oil plant was replaced by biomass, the resulting total reduction in carbon emissions is estimated to be approximately 2,213 tCO₂ (18 % of the corporate target for carbon reduction). If the programme of works recommended were undertaken this is estimated to achieve a reduction of 1,641 tCO₂ (14 % of the corporate target for carbon reduction).

b) Cost reduction potential

Wiltshire Council currently pays the CRC costs for all corporate emissions and those of all schools, including Academies and Special Schools. However, a proposal is currently out to consultation with schools for the council to charge individual schools for their CRC costs. This proposal was agreed in principle by Schools Forum in October 2011.

The current CRC payment of £ 12 per tCO₂ does not apply to the output of any biomass boiler and a conversion from oil to biomass would therefore realise a first-year cost saving under the CRC in the order of £ 200-300 for a small primary school. For a large secondary school this figure could be in the region of £2,000. The cost of CRC is expected to rise steadily in a manner similar to the landfill tax escalator so that the savings to schools will increase proportionately.

The unit cost of oil varies from site to site and order to order. It is not uncommon for prices to fluctuate dramatically throughout the year and the price available on one day might vary from that available a few days later by as much as 20%. There is currently no corporate contract for oil and each site procures oil independently. A guideline unit price for oil is £ 0.055 per kWh, which is equivalent to £ 0.56 per litre of a common type of heating oil. This can only be an illustrative value as a consolidated data set of all oil consumption and prices is not currently available. The typical unit cost of natural gas is around £ 0.021, with most sites supplied via a corporate contract through the Office of Government Commerce. Wood pellet unit prices may vary between £ 0.030 and £ 0.045. When subsidised by the Renewable Heat Incentive payments, the equivalent unit rate for a typical boiler suitable for a primary school would represent a net income per unit of fuel consumed. For a large school the tariff is lower due to the larger boiler size required, but the equivalent heating cost is approximately halved, making it roughly equivalent to the cost of natural gas. The impact of the RHI scheme on the cost effectiveness of this technology cannot be overstated and the availability of this long-term subsidy represents an opportunity to bring forward some or all of the works already expected as part of an inevitable gradual shift away from oil to a sustainable alternative.

c) Overlaps with planned maintenance programme

Boilers age during their service life and the maintenance costs increases significantly towards the end of their useful life. Boiler lifetime is not fixed, but an expectation would be that a boiler should be serviceable at a reasonable level of performance for 20 years. Some of the facilities in the scope of the proposed programme are of an age where the expectation is that they will need replacing within the next five years. This programme therefore represents an opportunity to deal cost effectively with an existing liability, realising additional cost savings by undertaking the work while there is an additional financial incentive through the Renewable Heat Incentive. The expectation is that over £ 250,000 of liabilities will be resolved through this programme, reducing the real cost of the programme accordingly.

d) Value added benefits

In addition to the direct financial benefits there is a highly cost-effective opportunity to incorporate additional networked metering and controls solutions that could;

1. Reduce existing demands on officer resources for data gathering
2. Provide curriculum-based educational tools
3. Reduce the risk of sites closing due to lack of heating fuel
4. Realise cost savings through optimising heating and raising awareness of consumption levels
5. Permit increasingly detailed analysis of site operation to identify further cost-saving opportunities
6. Allow the authority to realise procurement cost savings

These include the collection and monitoring of energy consumption data, especially with respect to statutory requirements such as CRC and other UK and European directives¹. Detailed consumption data would enable Wiltshire Council to offer cost-effective energy management services, including the procurement and distribution of biomass and other fuels.

Finance options for the programme

The following suggested finance options relate to the recovery of cost and generation of income from budgets held by schools, Academies and other third parties.

It is a key recommendation of this proposal that the party responsible for the procurement of fuel also be responsible for the maintenance of the boiler plant. Historically, experience of biomass projects has shown that the cheapest fuels can be of low quality and this can create excessive tar and mineral deposits that may contribute to increased maintenance costs. Additionally, procurement of cheap, low-quality fuels can significantly increase the physical quantity of fuel being consumed, resulting in dramatic increases in fuel delivery and maintenance frequency. Cost pressures on budget holders may cause this to become a serious issue and it is recommended that the authority retain responsibility for procurement of wood fuel in order to manage both these and related issues.

1) Charging for metered heat

This model is the preferred solution and the strategic benefit of charging for heat would be that this can continue even after the original project cost has been recovered, thereby generating an annual revenue stream that can be reinvested back into projects in schools to further improve energy efficiency and reduce carbon emissions. The creation of a revenue stream will be an important step in dealing with the strategic trends detailed elsewhere in this proposal.

This model would see the council charge the school per unit of heat, taken from the heat meter already required for the administration of the Renewable Heat Incentive scheme. The tariff would be set to cover the operational costs, including administration and may include an annualised balance of any life cycle capital cost not recovered via the RHI. The regulations around tariff setting are already understood and a service level agreement would be required to manage operational issues such as failure to deliver heat and provide for renegotiation. If the school ceased requiring heat then no repayment would be made from the school and no RHI payment would be received by the local authority. The investment cost would be recovered in all likely scenarios except where the school becomes financially unviable or closes due to an unsustainable long-term fall in student numbers.

This repayment method is a means to extend the repayment period outside that permitted by a project agreement and could utilise an Energy Services Company vehicle to hold the financial risk if the council is unwilling or unable to hold it directly.

2) Other Models Considered

2.1) *Five Year Payback*

The model would realise investment recovery via a project agreement with the utility budget holder for the facility, based on a five year repayment period. The utility budget holder would receive the RHI payment for the duration of the scheme (20 years).

Analysis of this approach has shown that the full financial benefit of engaging in biomass fuel provision could not be realised using this model and the net revenue cost to the school in the initial five year period would be excessive.

2.2) *RHI Only*

Analysis of this approach has shown that the full financial benefit of engaging in biomass fuel provision could not be realised using this model and the RHI payments alone will produce a longer payback than is preferred. Further to these considerations, the financial benefit realised by the schools, without capital investment on their part, would be excessive and disproportionate when considering that other schools in a similar position will not be included in the scope of works and would see no similar benefits.

2.3) *Five Year Loan Repayment + RHI*

This model would realise annual revenue generation for 20 years via the RHI payment, collected by Wiltshire Council directly from the RHI Scheme Coordinator. A separate project agreement would be made with the utility budget holder for the facility to repay the

associated (non-RHI) cost savings to the council for the first five years of the project life. Thereafter no additional payments would be due from the utility budget holder for the facility.

Analysis of this approach has shown that the full financial benefit of engaging in biomass fuel provision could not be realised using this model and the net revenue cost to the school in the initial five year period would be excessive.

2.4) Novation of Relevant Budget

Due to the administrative complexity of this option, this model is outside the scope of this proposal.

Assumptions

The information presented in this document is derived from the best data available and calculated using accepted industry methodologies and conversion factors. The financial illustrations are intended to be as representative as possible, notwithstanding the large number of variables and difficulty in predicting the future changes in the national and global economic position during the next 20 years which may affect the financial assumptions used here. The approach in calculating the values used in this financial summary and cost model has been conservative, with an expectation that this represents the minimum cost saving from the programme. Detailed assumptions are set out in Table B2.

Table B2 – Assumptions used for producing the financial summary and cost model

Variable	Assumption	Explanation
Discount Rate	1.50%	This is the standard value used by Wiltshire Council for assessing the present value of future balances.
Utility and fuel cost inflation	Not included	To ensure the financial model is conservative, the expected financial benefit of the cost of oil inflating above base rate (as has historically been seen) has not been included.
Conversion factors and calorific values (except bio-fuels)	DECC	Values are as used by Department of Energy and Climate Change.
Calorific values (bio-fuels)	Pellet (4800 kWh/tonne) Chip (3500 kWh/tonne)	The standard for bio-fuels to be used by Wiltshire Council has not yet been agreed, so an indicative value has been taken across a number of suppliers.
Boiler efficiency (existing)	[Q=0.75] Indicative range: [0.6<Q<0.85]	The influence of boiler efficiency on the consumption of oil is significant but cannot be obtained without specialist survey work. A conservative value is used to represent the average age of boiler plant and the approximate condition as it is understood by Strategic Property Services engineers.
Boiler efficiency (biomass)	[Q=0.9]	A standard for biomass boiler plant to be used by Wiltshire Council has not yet been agreed, so a representative value for a wood pellet boiler has been used, reduced slightly to allow for slight reduction over plant lifetime.
Carbon footprint of biomass	[0.0 tCO ₂ /kWh]	Under the Carbon Reduction Commitment bio-fuels are considered to be carbon neutral. No account is taken of whole life-cycle carbon footprint such as that resulting from fuel production or distribution.
Carbon Reduction Commitment unit rate	[12 £/tCO ₂] rising to 50 £/tCO ₂ by 2031-32	The cost per tonne of carbon is expected to rise rapidly from £12 per tonne in 2011/12 but future rates have not yet been set. A conservative cost increase is presented in line with expectations in the industry.
Ownership of Carbon Reduction Commitment costs	School	It is assumed that the annual CRC payments will be recharged to schools as proposed in the current consultation sent out to all schools (closing end of January 2012)

Variable	Assumption	Explanation
Bulk Fuel Purchase Cost	£ 0.038 per kWh	Wiltshire Council expects to procure wood pellet at this cost or better.
Benchmark Fuel Cost	£ 0.040 per kWh	This reference cost will be the price it is expected that schools could procure wood pellet if buying independently in small quantities.

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Briefing note on biomass

1) Biomass boilers and fuel

With the Renewable Heat Incentive (RHI), the use of biomass for heating in traditionally oil-dependent areas off the mains gas network is now a cost effective alternative. This operates by burning either wood chip or wood pellets to produce heat. The installation of a biomass boiler in place of an oil boiler does not require modifications to the heating system. The wood fuel is typically stored adjacent to the boiler and does not have the potentially expensive environmental costs associated with handling and storing heating oil or liquid petroleum fuels. Modern biomass boilers are advanced and highly efficient devices, typically avoiding many of the problems sometimes associated with early biomass boilers, such as manual ash removal, excessive tar deposits and low thermal efficiencies.

There are two main types of wood fuel that can be used in biomass boilers:

Wood chip typically comprises batches of seasoned wood that have been roughly cut into small pieces. This process is typically performed on whole sections of the original tree and contains bark, foliage, moss and other organic elements. The moisture content can be difficult to control and, combined with the quantity of bark and other impurities within the chip batch, defines the calorific value of the each batch of fuel. A key issue with the use of this fuel is that low cost fuels will tend to be wetter and contain more impurities. This can cause issues if chip is stored in an unsuitable facility where it will quickly compost. Wood chip takes up more space and is heavier per unit of stored energy and this equates to a larger storage facility and/or more frequent deliveries. It can be difficult to assess and prove the quality of wood chip and this is a consideration for long-term fuel management.

Wood pellets are small pieces of processed matter, potentially including virgin and waste wood, grasses and other organic matter. The feedstock is milled into dust which is then compressed under the appropriate conditions to form it into a pellet. These pellets have a high degree of consistency in terms of size, shape and other physical properties. The calorific value per tonne and per unit volume is greater than for wood chip and they can be stored and transported more easily. When filling a pellet store from a transport vehicle it is possible to blow the pellets up to 30m, avoiding logistical issues at sites with limited access to the likely wood store area. Pellets are typically more expensive than wood chip to procure, but may provide flexibility regarding the feedstock used to produce them and may see cost reductions as the biomass industry matures.

2 Benchmarking information on local authorities and biomass

A survey of councils located in the south of England was undertaken in November 2011 to understand what progress, if any, had been made in installing biomass boilers at their sites and how procurement issues (fuel and equipment) had been handled. Responses from 6 local authorities were received.

Due to the carbon savings associated with biomass, they all were following a policy of converting to this fuel source when existing oil fired boilers reached the end of their working lives. The availability of the Renewable Heat Incentive has stimulated interest in accelerating the replacement programme for oil boilers due to the income that can be received. The authorities who are operating the most boilers are Suffolk County Council (20) and Worcestershire County Council (10).

Operationally the boilers installed range in output from 25kW to 1.2mW, with the predominant size at the lower end of the range up to 200kW (typically smaller sites in rural areas). The space requirement of biomass boilers compared with oil is around 4:1, due to the additional storage requirements. As a result this has meant that some oil dependant sites have not been able to switch due to a lack of space.

The procurement of wood for the boilers has been highlighted as a developing area. Authorities such as Cornwall and Suffolk County Council are developing capacity within their areas to source and produce this fuel. Suffolk estimates that the local biomass industry had already created around 40 jobs due to increasing demand from the council and other consumers.

Whilst work continues to build local supply chains, authorities currently rely on contracts with brokers or regional suppliers. Pellet is seen as preferable to chip due to greater consistency in the fuel source and greater bulk densities that can be achieved for transportation. However, fewer companies offer this option as there is a requirement to undertake more processing of the wood.

A key risk highlighted was regarding fuel security and concerns over what would happen if the biomass boilers failed. Establishing contracts with fuel suppliers in the short to medium term removes some of the risk surrounding fuel security. If some containerised biomass boiler units are installed then the existing oil infrastructure could remain in place as a fall back. However, as the business case allows scope for dedicated staff time to manage the boiler network the likelihood of failures arising should reduce and, if they do, a dedicated, knowledgeable person can work quickly to resolve any problems.

To date the roll out of boilers has been progressive which has meant that procurement has not needed to go through OJEU procedures. However, it is

recognised that this approach could achieve financial efficiencies through bulk buying.

3 Benefits to the council associated of using biomass boilers

3.1 Carbon reduction potential

Oil has the highest carbon content of all stored fuels and a typical primary school would emit in the region of 20-40 tonnes of CO₂ per annum from its oil consumption. The Carbon Reduction Commitment recognises biomass as a zero-carbon technology. If **all** oil consumption in the corporate estate and schools at sites that have not recently been fitted with new oil plant was replaced by biomass, the resulting total reduction in carbon emissions is estimated to be approximately 2,213 tCO₂ (18 % of the corporate target for carbon reduction). If the programme of works recommended were undertaken this is estimated to achieve a reduction of 1,641 tCO₂ (14 % of the corporate target for carbon reduction).

3.2 Cost reduction potential

Wiltshire Council currently pays the CRC costs for all corporate emissions and those of all schools, including Academies and Special Schools. However, a proposal is currently out to consultation with schools for the council to charge individual schools for their CRC costs.

The current CRC payment of £ 12 per tCO₂ does not apply to the output of any biomass boiler and a conversion from oil to biomass would therefore realise a first-year cost saving under the CRC in the order of £ 200-300 for a small primary school. For a large secondary school this figure could be in the region of £2,000. The cost of CRC is expected to rise steadily in a manner similar to the landfill tax escalator so that the savings to schools will increase proportionately.

The unit cost of oil varies from site to site and order to order. It is not uncommon for prices to fluctuate dramatically throughout the year and the price available on one day might vary from that available a few days later by as much as 20%. There is currently no corporate contract for oil and each site procures oil independently. A guideline unit price for oil is £ 0.055 per kWh, which is equivalent to £ 0.56 per litre of a common type of heating oil. This can only be an illustrative value as a consolidated data set of all oil consumption and prices is not currently available. The typical unit cost of natural gas is around £ 0.021, with most sites supplied via a corporate contract through the Office of Government Commerce. Wood pellet unit prices may vary between £ 0.030 and £ 0.045. When subsidised by the Renewable Heat Incentive payments, the equivalent unit rate for a typical boiler suitable for a primary school would represent a net income per unit of fuel consumed. For a large school the tariff is lower due to the larger boiler size required, but the equivalent heating cost is approximately halved, making it roughly equivalent to the cost of natural gas.

The impact of the RHI scheme on the cost effectiveness of this technology cannot be overstated and the availability of this long-term subsidy represents an opportunity to bring forward some or all of the works already expected as part of an inevitable gradual shift away from oil to a sustainable alternative.

3.3 Overlaps with planned maintenance programme

Boilers age during their service life and the maintenance costs increases significantly towards the end of their useful life. Boiler lifetime is not fixed, but an expectation would be that a boiler should be serviceable at a reasonable level of performance for 20 years. Some of the facilities in the scope of the proposed programme are of an age where the expectation is that they will need replacing within the next five years. This programme therefore represents an opportunity to deal cost effectively with an existing liability, realising additional cost savings by undertaking the work while there is an additional financial incentive through the Renewable Heat Incentive. The expectation is that over £ 250,000 of liabilities will be resolved through this programme, reducing the real cost of the programme accordingly.

3.3 Value added benefits

In addition to the direct financial benefits there is a highly cost-effective opportunity to incorporate additional networked metering and controls solutions that could;

1. Reduce existing demands on officer resources for data gathering
2. Provide curriculum-based educational tools
3. Reduce the risk of sites closing due to lack of heating fuel
4. Realise cost savings through optimising heating and raising awareness of consumption levels
5. Permit increasingly detailed analysis of site operation to identify further cost-saving opportunities
6. Allow the authority to realise procurement cost savings

These include the collection and monitoring of energy consumption data, especially with respect to statutory requirements such as CRC and other UK and European directives¹. Detailed consumption data would enable Wiltshire Council to offer cost-effective energy management services, including the procurement and distribution of biomass and other fuels.

Briefing note on the Renewable Heat Incentive (RHI)

1) Introduction to the RHI

In November 2011 Central Government launched the Renewable Heat Incentive (RHI). Similar to the Feed in Tariff for renewable electricity production, the RHI aims to increase the uptake of more sustainable heat producing equipment in homes and businesses through a guaranteed payment that can be claimed for 20 years. One of the key technologies supported is biomass.

Table D1 outlines the tariffs available for eligible biomass installations. It is estimated that the council programme to convert from oil to biomass would use a combination of small and medium sized biomass boilers.

Table D1: Renewable Heat Incentive (RHI) tariff table

Tariff Name	Eligible Sizes	Tier 1 ^a Tariff (p / kWh _{th})	Tier 2 ^b Tariff (p / kWh _{th})
Small Biomass	Less than 200 kW _{th}	7.9	2.0
Medium Biomass	200 kW _{th} – 1000 kW _{th}	4.9	2.0
Large Biomass	1000 kW _{th} and above	1.0	1.0

^a Tier 1 is payable for the first 1,314 hrs that each boiler is used during an RHI year.

^b Tier 2 is payable once each boiler has operated for more than 1,314hrs in each RHI year

2) Worked RHI example

For illustrative purposes an example of how the RHI payment is calculated is outlined below.

EXAMPLE 1:

A facility equipped with a 100 kW_{th} boiler, operating at peak output for 4 hours on each working day between October 1st and March 31st would operate for 728 hours during a 12 month period. As this is under the 1,314 hour tier 1 and 2 threshold, the RHI payment would be based solely on the tier 1 tariff. The RHI payment calculation would be:

Boiler size x hours of operation = kWh_{th}

100 x 728 = 72,800 kWh_{th}.

$\text{kWh}_{\text{th}} \times \text{Tier 1 tariff} = \text{RHI payment}$

$72,800 \times \text{£}0.079 = \text{£}5,751 \text{ per annum}$

EXAMPLE 2:

Hypothetically speaking if the boiler was operating at peak output for 8 hours on each working day between 1st October and 31st March, it would operate for 1,456 hours during a 12 month period. Although most of the hours would be payable on tier 1 of the tariff, the 142 hours over the 1,314 threshold would receive a tier 2 tariff.

$100 \times 1314 \text{ (tier 1)} = 131,400 \text{ kWh}_{\text{th}}$

$131,400 \times \text{£}0.079 = \text{£}10,380.60 \text{ (for the hours operated under tier 1 of the tariff)}$

$100 * 142 = 14,200 \text{ kWh}_{\text{th}}$

$14,200 \times \text{£}0.02 \text{ (tier 2)} = \text{£}284 \text{ (for the hours operated under tier 2 of the tariff)}$

Total RHI payment = **£10,664.60**

Financial Model - business case for biomass boiler programme

Borrowing Period (years): 20.0
 Discount Rate: 1.50%
 Borrowing figure: 4.35%

Costs	TOTAL	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
	£	2012/13 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £	2029/30 £	2030/31 £	2031/32 £
Capital Expenditure																					
Programme Capital Costs	2,730,000	2,730,000																			
TOTAL capital expenditure	2,730,000	2,730,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue Implications - Wiltshire Council																					
Capital Repayment	2,730,000	0	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500
Interest on Borrowed Value	1,246,920	62,346	62,346	62,346	62,346	62,346	62,346	62,346	62,346	62,346	62,346	62,346	62,346	62,346	62,346	62,346	62,346	62,346	62,346	62,346	62,346
Maintenance Costs	749,237	37,462	37,462	37,462	37,462	37,462	37,462	37,462	37,462	37,462	37,462	37,462	37,462	37,462	37,462	37,462	37,462	37,462	37,462	37,462	37,462
Biomass Fuel Costs	3,945,298	197,265	197,265	197,265	197,265	197,265	197,265	197,265	197,265	197,265	197,265	197,265	197,265	197,265	197,265	197,265	197,265	197,265	197,265	197,265	197,265
Project Management Posts	919,186	79,959	79,959	79,959	79,959	79,959	79,959	79,959	79,959	79,959	79,959	79,959	79,959	79,959	79,959	79,959	79,959	79,959	79,959	79,959	79,959
Renewable Heat Incentive	-5,607,332	-280,367	-280,367	-280,367	-280,367	-280,367	-280,367	-280,367	-280,367	-280,367	-280,367	-280,367	-280,367	-280,367	-280,367	-280,367	-280,367	-280,367	-280,367	-280,367	-280,367
Charges to Schools for Heat	-7,757,076	-387,854	-387,854	-387,854	-387,854	-387,854	-387,854	-387,854	-387,854	-387,854	-387,854	-387,854	-387,854	-387,854	-387,854	-387,854	-387,854	-387,854	-387,854	-387,854	-387,854
NET REVENUE impacts (Wiltshire Council)	-3,773,767	-291,188	-154,688	-154,688	-194,688	-194,688	-194,688	-194,688	-194,688	-194,688	-194,688	-194,688	-194,688	-194,688	-194,688	-194,688	-194,688	-194,688	-194,688	-194,688	-194,688
- Discounted Cashflow	-3,260,679	-286,885	-150,150	-147,931	-183,432	-180,721	-178,051	-175,419	-172,827	-170,273	-167,757	-165,277	-162,835	-160,428	-158,058	-155,722	-153,420	-151,153	-148,919	-146,719	-144,550
TOTAL NPV	-3,260,679	-286,885	-150,150	-147,931	-183,432	-180,721	-178,051	-175,419	-172,827	-170,273	-167,757	-165,277	-162,835	-160,428	-158,058	-155,722	-153,420	-151,153	-148,919	-146,719	-144,550
Revenue Implications - School Estate																					
Oil Plant Sourcing & Maintenance Costs	-249,746	-12,487	-12,487	-12,487	-12,487	-12,487	-12,487	-12,487	-12,487	-12,487	-12,487	-12,487	-12,487	-12,487	-12,487	-12,487	-12,487	-12,487	-12,487	-12,487	-12,487
Oil Fuel Costs	-7,289,717	-364,486	-364,486	-364,486	-364,486	-364,486	-364,486	-364,486	-364,486	-364,486	-364,486	-364,486	-364,486	-364,486	-364,486	-364,486	-364,486	-364,486	-364,486	-364,486	-364,486
Payments to Wiltshire Council for Heat	7,757,076	387,854	387,854	387,854	387,854	387,854	387,854	387,854	387,854	387,854	387,854	387,854	387,854	387,854	387,854	387,854	387,854	387,854	387,854	387,854	387,854
Carbon Reduction Commitment	-1,014,330	-19,696	-19,696	-26,261	-29,544	-32,826	-36,109	-39,391	-42,674	-45,957	-49,239	-52,522	-55,805	-59,087	-62,370	-65,652	-68,935	-72,218	-75,500	-78,783	-82,066
NET REVENUE impacts (School Estate)	-796,716	-8,815	-8,815	-15,380	-18,663	-21,946	-25,228	-28,511	-31,793	-35,076	-38,359	-41,641	-44,924	-48,206	-51,489	-54,772	-58,054	-61,337	-64,620	-67,902	-71,185
- Discounted Cashflow	-655,699	-8,685	-8,556	-14,708	-17,584	-20,371	-23,072	-25,689	-28,223	-30,677	-33,052	-35,351	-37,574	-39,723	-41,801	-43,809	-45,749	-47,621	-49,428	-51,172	-52,853
TOTAL NPV	-655,699	-8,685	-8,556	-14,708	-17,584	-20,371	-23,072	-25,689	-28,223	-30,677	-33,052	-35,351	-37,574	-39,723	-41,801	-43,809	-45,749	-47,621	-49,428	-51,172	-52,853
NET REVENUE impacts (Total)	4,634,632	-300,003	-163,503	-170,069	-213,351	-216,634	-219,916	-223,199	-226,482	-229,764	-233,047	-236,330	-239,612	-242,895	-246,177	-249,460	-252,743	-256,025	-259,308	-262,591	-265,873
TOTAL NPV	-3,916,379	-295,570	-158,706	-162,640	-201,016	-201,093	-201,123	-201,108	-201,050	-200,950	-200,809	-200,628	-200,409	-200,152	-199,859	-199,531	-199,169	-198,774	-198,348	-197,890	-197,403

The financial summary for each school is presented in Appendix B. The capital cost shown does not include future cost liabilities as these costs are not currently due to be incurred during 2012-13. The assumptions for these calculations are based on the best data available and all prices are pre-tender values and all assumptions are provided in Table B2.

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Wiltshire Council

Cabinet Capital Asset Committee

18 January 2012

Subject: Capital Monitoring Period 8 (November) 2011/2012

**Cabinet member: Councillor John Brady
Finance, Performance and Risk**

Key Decision: No

Executive Summary

The report reflects the position of the 2011/2012 Capital Programme as at 30 November 2011.

The report also details changes to the budget such as reprogramming of schemes which are to be noted by Cabinet. There is also a change to reflect the purchase of E Recruitment Software which requires approval by Council following recommendation to Cabinet.

Proposal

- a. Note the current position of the capital programme as at Period 8 in Appendix A.
- b. Note total budget increases of £0.528 million and the £0.620 million reprogramming of spend between 2011/2012 and 2012/2013.
- c. Recommend to Council, via Cabinet the approval of £0.085m of additional budget for E Recruitment Software to be funded from general capital receipts.

Reasons for Proposals

To inform cabinet of the current position of the 2011/2012 capital programme and to highlight changes in the capital programme.

Michael Hudson Director of Finance

Wiltshire Council

Cabinet Capital Asset Committee

18 January 2012

Subject: Capital Monitoring Period 8 (November) 2011/2012

**Cabinet member: Councillor John Brady
Finance, Performance and Risk**

Key Decision: No

Purpose of Report

1. To update Cabinet on the position of the 2011/12 Capital Programme as at 30 November 2011 and note budget changes and reprogramming of expenditure, and to recommend to Council unfunded budget additions.

Budget movements

2. Between the Period 6 monitoring report presented to the CCAC at the meeting on 15 November and this Period 8 monitoring report, the budget is proposed to be adjusted as detailed in the table below.

	£m	Notes
Capital budget as per CCAC Period 6 monitoring report (15 November 2011)	114.330	
Additions/amendments to the capital programme 2011/2012 since Period 6 monitoring report		
E Recruitment Software additional expenditure	0.085	See below for further explanation.
Other Additional budgets	0.443	See below and Appendix A & B for further explanation.
Reprogramming adjustments between 2011/2012 and 2012/2013	0.620	See Appendix A & B
Total movements in Period	1.148	
Proposed Revised Capital budget 2011/12	115.478	

3. E Recruitment software has been procured in order to provide the authority with an easier, cheaper and faster solution to recruitment. This system is also to provide functionality to support redeployment, and online testing to support managers in making the best recruitment decisions. Initially this procurement was planned to be financed out of revenue budgets but given the recent reprogramming there is scope within the programme to capitalise this expenditure and ease the pressure on the Revenue budget. An additional £0.085 million budget is therefore requested to be recommended to Council, via Cabinet in order to capitalise this item. As the software has been procured with a short asset life this will be financed by adjusting the overall financing, using capital receipts to minimise the revenue cost of borrowing.
4. Other budget increases of £0.443 million are detailed in Appendix A and B. These are undertaken under delegated authority by the Director of Finance. They primarily relate to additional funding being made available during the year for instance additional grant or Section 106 Developer contributions.
5. In addition to the above there have been budget movements between schemes which are also detailed in Appendix A. There is no additional budget required in these movements.

Summary of Current Position as at 30 November 2011

6. The revised budget proposed for the year 2011/2012 is £115.478 million. As at 30 November the actual spend plus commitments made was £82.283 million (71% of spend to date). A full breakdown of these figures is attached in Appendix A.
7. Some further reprogramming of schemes into 2012/2013 has been undertaken in addition to the major reprogramming undertaken in the previous monitoring statement. This is shown in Appendix A. Further details and updates regarding some of the larger schemes currently being undertaken are below.

Education schemes

8. Wellington Academy is currently showing a minor overspend due to outstanding open commitments to finish the project. The final account for this project is yet to be completed so this is not the projected outturn position. Further examination of the project is being undertaken by officers and the project manager in time for the Month 10 budget monitoring report, where the final position will be known. It is currently anticipated that the outturn will be online to budget.
9. Sarum Academy. As detailed in the previous monitoring report it is currently anticipated that work will begin on site in February 2012 therefore the majority of the costs of this scheme will be incurred in 2012/2013. A full cashflow forecast has now been developed which has

further changed the spending profile from last period. This means an additional £0.459 million has been reprogrammed into 2012/2013 to match the new anticipated spending pattern.

10. Additional Accommodation schemes comprise 26 individual extension projects across the county. A seven class extension has now started on site at Amesbury Archer School. Subject to the progress of housing developments which have yet to start, £2.000 million of the budget is earmarked to contribute to building new schools. Eight further projects with planned costs of £6.500 million are at the design/planning application stage so spending is likely to commence towards the end of the financial year. As previously indicated in the previous monitoring reports much of the planned expenditure is now due to be spent during 2012/2013, therefore an additional £0.810 million has been reprogrammed from 2011/2012 into 2012/2013.
11. New Deals for Schools (NDS) schemes are to fund high priority condition works including roof replacements, rewiring and window replacements. Budgets have also been allocated to replace Pratton blocks at schools in Warminster which are currently at the design stage, with work on these sites planned to begin in January. In the period 6 report, £3.982 million was reprogrammed into 2012/2013, to match the likely spending pattern of some of the schemes. On further examination of the schemes currently in progress some are more advanced than previously thought so £0.687 million of the amount previously reprogrammed has been brought back from 2012/2013 into 2011/2012.
12. DCSF Targeted capital 14–19 Special education needs. These schemes are to improve special education needs delivery by building new extensions and altering existing sites. £5.000 million of the budget is allocated to Exeter House Special School which is providing an extension and major refurbishment. This project is experiencing some delays caused by land acquisition issues but it is currently anticipated that will be largely spent during 2011/2012. The Scheme at Wiltshire College is on target to complete during 2011/2012 but there have been some delays to the scheme at Devizes School, which means £0.700 million has been reprogrammed into 2012/2013 to match the revised spending profile.
13. Other Projects New Schools. Old Sarum Primary has been completed and opened in September and a new school in Devizes is also under construction. The local housing scheme in East Trowbridge is now under way allowing the scheme for the new school there to progress, with the first payment to the contractor now due this financial year. This project has moved forward quicker than expected therefore £0.650 million of previously reprogrammed budget has been brought back into 2011/2012 to match the planned expenditure profile.
14. Other Schools Projects – Expansions and Replacements. These schemes are to provide expanded capacity at schools by provision of

new classrooms and blocks etc. Major schemes are underway and on schedule to complete in 2011/2012 at Clarendon College and Westbury Junior School. Other major schemes at Monkton Park Primary School, Devizes School, and some minor schemes are not now due to complete until 2012/2013. Therefore reprogramming of £0.815 million of budget into 2012/2013 has been actioned to match the planned expenditure profile

15. In addition to the above there have been other minor reprogramming of Education schemes which are detailed in Appendix A. All other education schemes are currently anticipated to be online against budget.

Highways schemes

16. Integrated Transport schemes budget has been allocated across many individual schemes and it is anticipated that there will be no variations to budget at year end. Schemes in progress include Melksham Town Centre – phase 4 (£0.360 million) plus a number of local safety schemes and the Area Board discretionary highways budget.
17. Bridges Schemes have been allocated fully to schemes. Major Bridge work is progressing well at Clatford, Dauntsey, Haxton and Tidworth. Significant expenditure has been allocated to road over rail conversions with the majority of the expenditure anticipated to be spent in early 2012. A potential scheme at Whaddon Canal Bridget may now be delayed until 2012/2013. As much of the expenditure has been programmed to occur early in 2012 this area is being closely monitored but at present it is anticipated that spend will be online against budget at year end.
18. Major Structural Maintenance schemes. £4.600 million of budget has been allocated to surfacing and surface dressing schemes. Many surfacing schemes are now complete with road markings now taking place. The major scheme at junction 16 and 17 of the M4 is progressing well with J17 completed and the final account being agreed. Drainage investigations are progressing well with much of the spend on repairs programmed to be spent in early 2012. Some schemes are currently being examined and may be pushed back into the 2012/2013 year. As a large proportion of the budget is still to be spent this area is under close observation but at present is expected to be online against budget at year end, with only minor variations at year end.
19. All other Highways schemes are currently anticipated to be on line with no major variations at year end with the exception of the Highways vehicles budgets. This budget is currently running over spent due to the purchase of additional street cleaning vehicles. Further work examining spend on vehicles in this area, and the overall spend on vehicles across the capital programme is currently being undertaken. This is in order to review all funding sources and ensure the complete schedule of vehicles to be replaced are built into the budget in time for the February budget setting report.

Campus and Operational Delivery (CAOD) schemes

20. Budgets within CAOD have been separated into their separate workstreams for clarity as shown in Appendix A.
21. The County Hall MECH scheme is still progressing well and the site is due to be opening during 2012. The costs incurred to date are slightly behind profiled budget however the forecast for the end of the year is expected to be on target with the original estimates.
22. Other projects within the operational (Hub) element of the Transformation programme are being reviewed and it is anticipated that minimal spend will be incurred in 2011/2012, reprogramming of this area was undertaken in the month 6 report.
23. ICT expenditure has been reprogrammed bringing budget forward from 2012/2013 into 2011/2012. This is to allow work to continue at an accelerated pace to ensure that all the necessary ICT infrastructure is in place to deliver the rest of the Transformation programme. This means a reprogramming of expenditure of £2.100 million from 2012/2013 into 2011/2012 has been undertaken in this report.
24. The majority of the budget for Campus projects was reprogrammed into 2012/2013 in the month 6 report. A paper was taken to Cabinet in December on the three pilot campuses Salisbury, Corsham and Melksham. The budget setting report for 2012/2013 will cover any reprogramming and detail funding requirements in future years.

Housing schemes

25. Disabled Facilities grants are small grants given to enable private householders to undertake improvements to their properties. In previous monitoring reports amounts have been reprogrammed into 2012/2013 and against the current budget the schemes are progressing well, however further reprogramming may be required into 2012/2013 which will be confirmed in the next budget monitoring report.
26. Corporate Other Housing Grants. Previous monitoring reports have highlighted reprogramming of expenditure into 2012/2013 and it is currently anticipated that there will be more reprogramming required in the next monitoring report particularly in the Affordable Housing and Private Sector Housing schemes. This will be confirmed and actioned as part of the month 10 report in February.
27. New Housing. Four of the five schemes in this project are now complete and tenants have moved into the sites. Retentions and final payments are to be arranged at these sites but it appears the project spend is lower than was budgeted. Pembroke Road Salisbury is still being worked on and is due to be completed in March 2012. Initial projections are that this scheme will be completed on line to budget. Overall for the new

housing scheme budget managers are anticipating that the budget will underspend by around £0.700 million which can therefore be returned to the centre. Underspending schemes which have potential for returning budgets to the centre will be considered in the Month 10 report. This will enable the budgets to align with the 2012/2013 capital budget setting report which will also be presented in February.

Waste Schemes

28. Waste schemes as detailed in the previous reports are well advanced and are anticipated to be fully spent with a potential small saving on the budget at year end.

Other schemes

29. Revenue & Benefits IT system. The software for this scheme has been bought and installed and the system went live on the 28th November. The scheme is now nearing completion but final accounts have not been completed. It is currently anticipated that spend to be broadly on line to budget.

Proposals

30. To note the general budget additions that are largely grant funded of £0.443 million, the net reprogramming of £0.620 million between 2011/2012 and 2012/2013, and the Period 8 position of the 2011/2012 Capital Programme. Also to recommend to Council, via Cabinet, the approval of the £0.085 million additional budget required for the E Recruitment Software.

Environmental Impact of the Proposal

31. Wiltshire Council is preparing for its mandatory inclusion in the Carbon Reduction Commitment (CRC); the UK's mandatory climate change and energy saving scheme. The objectives of the scheme are to improve energy efficiency and reduce carbon dioxide emissions. It is calculated that 79% of the Council's carbon footprint comes from energy use in buildings. Capital schemes therefore have the potential to greatly increase or decrease carbon emissions, for example schemes making council buildings more energy efficient will reduce the Council's carbon footprint. The budget setting process for the 2011/2012 assessed the perceived impact of schemes on the Council's carbon footprint and built this into the mechanism for setting the 2011/2012 budget.

Equality and Diversity Impact of the Proposal

32. No equality and diversity issues have been identified arising from this report

Risk Assessment

33. The capital budget for 2011/2012, as detailed in this report, has been revised to approximately £115 million. Within this programme there are a number of potential risks such as from cost overruns or lower than expected levels of capital receipts. Such issues will be highlighted as soon as they establish themselves through the monthly reporting process. Members may wish to bear in mind that the capital programme has been set for three years and therefore risks will be appraised over the whole period.

Financial Implications

34. These have been examined and are implicit throughout the report

Legal Implications

35. None have been identified as arising directly from this report.

Michael Hudson
Director of Finance

Report Author: Stephen MacDonald

Unpublished documents relied upon in the preparation of this report: NONE
Environmental impact of the recommendations contained in this report: NONE

Capital Programme budget movements 2011/2012

Scheme name

2011/2012 Budget & Spend Breakdown

Month 6 Budget 2011/2012	Month 8 Budget Movements Between Schemes	Additional Budget see appendix B	Reprogrammed Expenditure Between 2011/2012 & 2012/2013	Current Budget 2011/2012	Total Spend (Actual + Commitments) as at Month 8
£m	£m	£m	£m	£m	£m

Education schemes

Wellington Academy	3.646			3.646	3.762
Sarum Academy Salisbury	1.281		(0.459)	0.822	0.316
Extended Schools	0.493			0.493	0.047
Additional Accommodation	4.161	0.034	(0.810)	3.385	2.532
NDS Maintenance & Modernisation	5.156		0.687	5.842	5.474
Devolved Formula Capital	1.281			1.281	0.849
Access and Inclusion	0.657		(0.031)	0.626	0.219
DCSF Primary Capital Programme	6.614		(0.002)	6.612	6.345
DCSF Targeted Capital 14-19 SEN	6.825		(0.700)	6.125	5.012
Other Projects New Schools	2.255	0.382	0.650	3.287	1.890
Other Schools Projects - Expansions & Replacements	2.701	0.039	(0.815)	1.926	1.696
Sure Start	0.362			0.362	0.198
Aiming High for Disabled Children	0.249			0.249	0.100
Other Education schemes finishing in 2011/2012	0.377			0.377	0.333
Total Education schemes	36.058	0.000	(1.480)	35.033	28.772

Highways schemes

Integrated Transport	2.312			2.312	2.224
Bridges & Structural Maintenance	14.050			14.050	9.688
Carriageway Repairs	1.443			1.443	0.442
Footways, ALA, Land Drainage & Other Minor Schemes	0.903			0.903	0.559
Highways, Winter Fleet & Street Cleaning Vehicles	0.277			0.277	0.676
Total Highways schemes	18.985	0.000	0.000	18.985	13.590

Campus and Operational Delivery schemes

Hub Programme Office rationalisation	12.475			12.475	11.134
Hub Programme ICT	4.540		2.100	6.640	5.325
Operational Estate	1.635			1.635	0.956
Highway Depot & Office Strategy	4.350			4.350	0.000
Libraries RFID Technology	0.547			0.547	0.480
Campus	2.000			2.000	0.658
Total CAOD schemes	25.547	0.000	2.100	27.647	18.553

Capital Programme budget movements 2011/2012

Scheme name	2011/2012 Budget & Spend Breakdown					
	Month 6 Budget 2011/2012	Month 8 Budget Movements Between Schemes	Additional Budget see appendix B	Reprogrammed Expenditure Between 2011/2012 & 2012/2013	Current Budget 2011/2012	Total Spend (Actual + Commitments) as at Month 8
	£m	£m	£m	£m	£m	£m
Other Property schemes						
Buildings Repair & Maintenance	2.228				2.228	1.284
Leisure & Amenities (inc Cemataries)	0.404				0.404	0.047
Total other Property schemes	2.632	0.000	0.000	0.000	2.632	1.330
Housing schemes						
Disabled Facilities Grants	2.436				2.436	1.377
Corporate other housing grants	1.755				1.755	0.193
New Housing	4.666				4.666	2.288
HRA - refurbishment of council stock	4.243				4.243	3.561
Total Housing schemes	13.100	0.000	0.000	0.000	13.100	7.420
Waste schemes						
Waste Transformation	7.761				7.761	7.430
Waste Management & Waste Vehicles	2.579				2.579	2.160
Total Waste schemes	10.340	0.000	0.000	0.000	10.340	9.591
Other schemes						
Revenue & Benefits IT System	0.479				0.479	0.473
Carbon Reduction	0.894				0.894	0.157
Planning IT System	1.000				1.000	0.090
Adult Social Care Strategy - Older People, LD & Mental health	1.781				1.781	0.844
Social Care Infrastructure & Community Safety	0.132				0.132	0.010
Area Boards and LPSA PRG reward grants	1.043		(0.012)		1.031	0.431
Economic Development schemes (including Salisbury Vision)	2.055				2.055	0.913
Rural Estates	0.275				0.275	0.036
Cross Departmental Initiatives & Other Schemes	0.009		0.085		0.094	0.073
Total Other schemes	7.668	0.000	0.073	0.000	7.741	3.027
Total 2011/2012 Programme	114.330	0.000	0.528	0.620	115.478	82.283

**Director of Finance (CFO) - EXERCISE OF DELEGATED POWERS & REQUESTS FOR
ADDITIONAL RESOURCES WITHIN THE CAPITAL PROGRAMME**

CCAC Meeting
Financial Year:

18th January 2012

2011/12

SECTION 1 - DELEGATED CFO POWERS - ADDITIONAL FUNDING

*"Adjustment/addition of scheme in the capital programme which has no effect on the net funding position of the programme
i.e. Additional resources available in the form of Grant, Section 106 contributions etc which fund the addition, "*

Project Name:	Schools - Additional Accomodation		
Budget Change:	2011/12	2012/13	2013/14
	33,912		
Funding Source:	Section 106 contributions funding capital works at Paxcroft Primary		
Project Name:	Other Schools Projects - New Schools		
Budget Change:	2011/12	2012/13	2013/14
	381,902		
Funding Source:	Section 106 contributions funding capital works at Quakers Walk Primary		
Project Name:	Other Schools Projects - Expansions & Replacements		
Budget Change:	2011/12	2012/13	2013/14
	39,426		
Funding Source:	Section 106 contributions funding capital works at Clarendon College		
Project Name:	Area Boards		
Budget Change:	2011/12	2012/13	2013/14
	(12,232)		
Funding Source:	Reduction in allocation to projects, returned to grant fund to reallocate at a later date		
443,008	Total Delegated Changes Approved by Section 151 Officer		

SECTION 2 - DELEGATED CFO POWERS - REPROGRAMMED EXPENDITURE BETWEEN 2011/2012 AND 2012/2013

*"Schemes within the capital programme which require the reprogramming of expenditure between years due to scheme
not progressing as originally anticipated or other circumstances"*

Project Name:	Sarum Academy - Salisbury		
Budget Change:	2011/12	2012/13	2013/14
	(458,609)	458,609	
Funding Source:	Reprogramming of Scheme to match anticipated expenditure between financial years		
Project Name:	Schools Additional Accomodation Projects		
Budget Change:	2011/12	2012/13	2013/14
	(810,188)	810,188	
Funding Source:			
Project Name:	Schools NDS Maintenance & Modernisation		
Budget Change:	2011/12	2012/13	2013/14
	686,962	(686,962)	
Funding Source:			
Project Name:	Schools Access & Inclusion Projects		
Budget Change:	2011/12	2012/13	2013/14
	(30,876)	30,876	
Funding Source:			
Project Name:	DCSF Primary Capital Programme		
Budget Change:	2011/12	2012/13	2013/14
	(2,217)	2,217	
Funding Source:			
Project Name:	DCSF Targeted Capital 14-19 SEN		
Budget Change:	2011/12	2012/13	2013/14
	(700,000)	700,000	
Funding Source:			

**Director of Finance (CFO) - EXERCISE OF DELEGATED POWERS & REQUESTS FOR
ADDITIONAL RESOURCES WITHIN THE CAPITAL PROGRAMME**

CCAC Meeting 18th January 2012
Financial Year: 2011/12

Project Name:	Schools Other Projects - New Schools - East Trowbridge Primary School		
Budget Change:	2011/12	2012/13	2013/14
	650,000	(650,000)	
Funding Source:			
Project Name:	Schools Other Projects - Expansions & Replacements		
Budget Change:	2011/12	2012/13	2013/14
	(815,040)	815,040	
Funding Source:			
Project Name:	Hub Programme ICT		
Budget Change:	2011/12	2012/13	2013/14
	2,100,000	(2,100,000)	
Funding Source:			
	(620,032) Total Re-programming between years		

SECTION 3 - REQUESTS TO CABINET FOR ADDITIONAL RESOURCES

"Adjustment/addition of scheme to the capital programme which places an additional funding requirement on the programme"

Project Name:	Cross Departmental Initiatives & Other Schemes - E-Recruitment System		
Budget Change:	2011/12	2012/13	2013/14
	85,000		
Funding Source:	Purchase of E-Recruitment System funded by capital receipts		
	85,000 Total requests for additional resources		

In the exercise of my delegated powers (Section 1 and 2), I hereby authorise the amendments to the Capital Programme summarised above.

Director of Finance (CFO): Michael Hudson

DATE: January 2012

WILTSHIRE COUNCIL

CABINET (CAPITAL ASSETS) COMMITTEE 18 January 2012

Subject: Properties at 32 & 34 Bath Road, Warminster

Cabinet member: Councillor Toby Sturgis – Waste, Property, Environment and Development Control Services

Key Decision: No

Purpose of Report

1. To ask the Committee to consider an opportunity to negotiate to acquire properties adjacent to Council-owned land at Warminster Highways Depot, with a view to improving future prospects for redevelopment of the highways depot function on its existing site.

Background

2. Warminster Highways Depot is located off Bath Road, with access served from Furnax Lane. The full cartilage of the site contains salt storage, vehicle workshops and a household waste recycling centre. The Council's buildings are in a very poor state of repair and the salt storage provision is uncovered, contrary to best environmental practice.
3. The household waste recycling centre has been recently constructed, having been relocated from a poorly accessible location on Furnax Lane.
4. Two privately-owned semi-detached residential properties (32 and 34 Bath Road) are land locked by the Council's land holdings, as indicated on the plan at Appendix A. These properties enjoy a right of access across the Council's land.
5. The presence of these two properties significantly hinders the Council's opportunities for redevelop the depot site to address issues of building condition and suitability, or to construct a salt barn to address environmental concerns related to uncovered salt storage.

Main Considerations for the Council

6. It is proposed that the Council negotiate to acquire the two properties at 32 and 34 Bath Road, to enable greater flexibility of the whole site, to deliver improved and rationalised depot functions over time.

7. This report does not seek authority for the development of the depot site, which would be subject to further consideration in conjunction with a wider review of public sector depot functions across the County.
8. Preliminary discussions with the owners of the two properties over a period of time has indicated an opportunity to acquire one property now, and to achieve vacant possession of the property. If this opportunity is not taken, the owner has indicated the intention to carry out certain works to the property to make it fit for rental on the private market. This would make subsequent acquisition significantly more difficult. The second property owner is also willing to sell at this point in time, subject to further negotiation over terms.
9. The property values are contained within the confidential appendix for discussion in Part 2 of the meeting. However, it is considered that the additional value provided to the site in monetary terms, would balance the cost of acquisition of the two properties. However, it would bring with it supplementary benefits related to the Council's ability to develop the whole site for depot re-provision in the future.

Environmental and climate change considerations

10. The proposal would enable the Council to address the environmental concerns presented by the open-air storage of salt, through the ability to construct a new salt barn on the site.
11. The proposal could enable more environmentally sustainable new buildings to be developed on the site in replacement of the poor condition existing building stock.

Equalities Impact of the Proposal

12. None.

Risk Assessment

13. There is a risk that one or both owners may be unwilling to sell their property to the Council, or that their expectation of price exceeds the Council's valuation of the property. This will be managed through the negotiation process, using a robust valuation methodology to justify the Council's value for the properties.

Financial Implications

14. The acquisition of these two properties is recommended on the basis that the cost of acquisition will be off-set by the additional (marriage) value provided to the remainder of the Council's retained land.

15. Negotiations will be structured around providing a cost neutral position, at a minimum, over the lifetime of the depot reorganisation project.
16. Upfront capital funding is requested to enable the acquisition to be completed, this will have revenue consequences due to the revenue cost of borrowing. These figures are shown in the Part 2 appendix, and would be incurred annually until the site was sold in a future year. These costs would be charged to the Transformation programme via a virement of base budget from that service to the Capital financing budget held within Corporate headings.

Legal Implications

17. The acquisition of the properties would be subject to the normal pre-contract legal enquiries and due diligence.

Conclusions

18. The acquisition of 32 & 34 Bath Road, Warminster would provide opportunities to the Council for future development of the Council's depot functions on its existing site, but would also add value to the unified landholding estimated to be equal to the value of the subject properties, based on pragmatic valuation principles.

Proposal

19. That Cabinet (Capital Assets) Committee authorise the appropriate Corporate Director to approve the acquisition of properties at 32 & 34 Bath Road, Warminster, with reference to the Cabinet Member for Waste, Property Environment and Development Control Services, and following satisfactory negotiations with the property owners.

Reason for Proposal

21. To facilitate potential future development of the Council's existing depot site at Furnax Lane, Warminster, without the constraints currently imposed by the two subject properties.

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Date of report:

16 December 2011

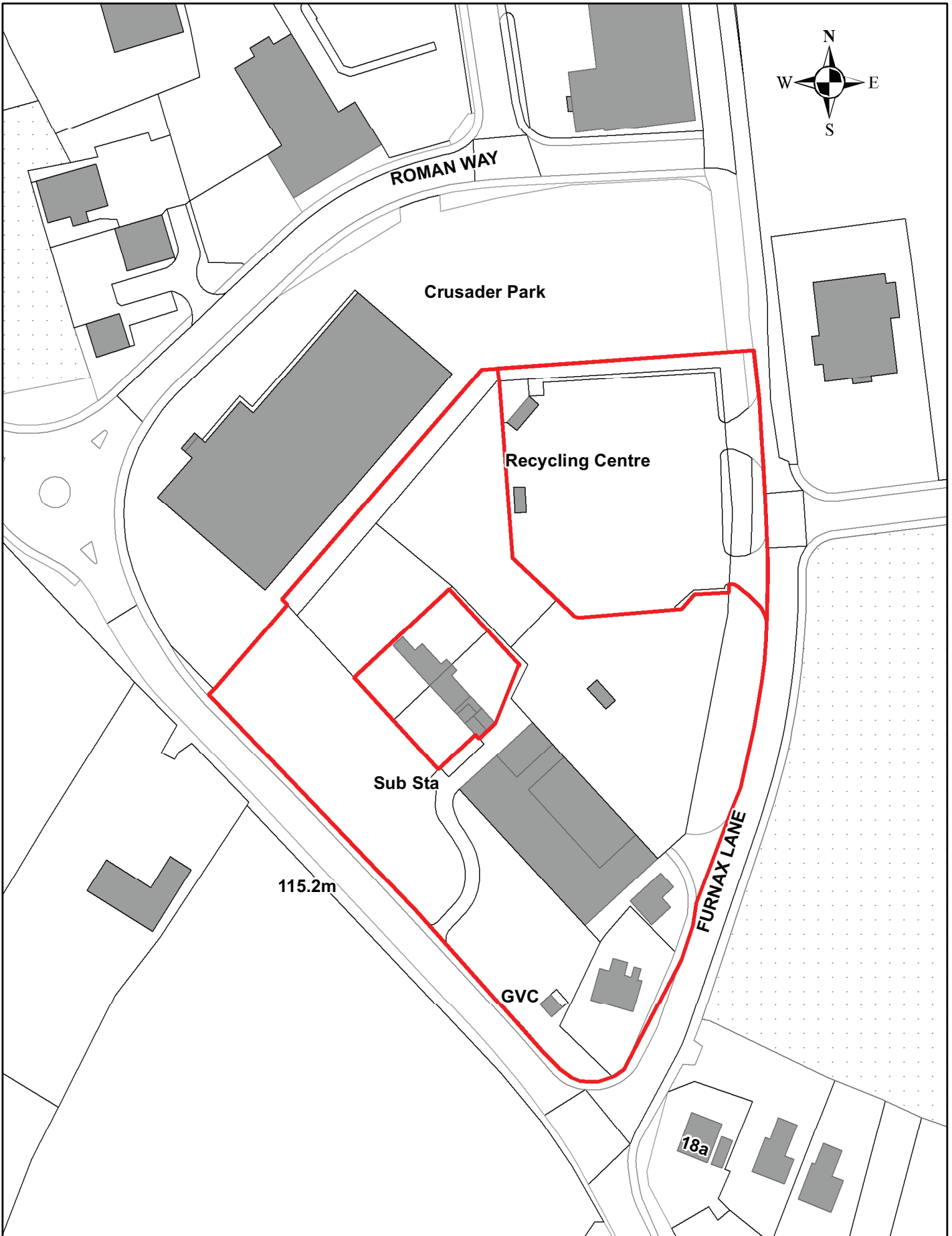
Background Papers

The following unpublished documents have been relied on in the preparation of this report:

None

Appendices

Appendix A – Site plan
Part 2 Appendix – Valuation and notes.



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