

REPORT TO: Executive Board
DATE: 2 October 2014
REPORTING OFFICER: Strategic Director, Policy and Resources
PORTFOLIO: Economic Development
SUBJECT: Norton Priory Heritage Lottery Fund Bid
WARD(S) Borough-wide

1.0 PURPOSE OF THE REPORT

To seek approval in principle for the Council to fund a proposed Biomass boiler to be installed in Norton Priory Museum as part of the re-development of the museum.

2.0 RECOMMENDATION: That

- 1) the Board supports in principle the funding of the Biomass boiler at Norton Priory Museum subject to further assessment of the financial returns following the detailed design of the boiler; and**
- 2) Council be requested to approve the addition of the Biomass boiler project to the 2014/15 Capital Programme.**

3.0 SUPPORTING INFORMATION

- 3.1 The Executive Board in March 2014 agreed that the Council would underwrite the Norton Priory Museum Trust Heritage Lottery Fund (HLF) by providing a loan to be repaid over a period of up to 3 years commencing 2015.
- 3.2 The Heritage Lottery Fund has now confirmed that the bid has been successful which will allow for the refurbishment and extension to the museum.
- 3.3 As part of the design work a mechanical and electrical services report has been completed to assess the services required for the refurbished building. This has included an assessment of the most appropriate type of heating system.
- 3.4 The existing method of heating the building is by direct electric which is not energy efficient. There is no other source of heat other than an existing electricity supply. A number of options for alternative heat sources have been considered including:

Ground source heat pump
 Air source heat pump
 Biomass boiler
 Bulk LPG storage and boilers
 Direct electricity boilers

3.5 The most attractive proposition recommended would be the installation of a Biomass boiler which would be able to take advantage of the Renewable Heat Incentive (RHI) payment scheme introduced by the Government.

3.6 The estimated annual heat load from the new building is approximately 197,000 kilowatt hours per annum. Based on this usage it is proposed that a 140 kilowatt Biomass boiler be installed. Estimated costs of the boiler are in the region of £100,000

3.7 Tariff levels under the RHI scheme are currently:

Tariff	Eligible Technology	Eligible Size	Tariff Rate (p/kw hour)
Small Biomass	Solid Biomass	Up to 199kwth	Tier 1 7.6
			Tier 2 2.2

RHI payments are index link and will increase each year in line with the retail price index.

3.8 Over the lifetime of the boiler it is estimated that it would generate an income from the RHI scheme in the region of £350,000 to £380,000 based on an RPI of 2-3 % over a 20 year period. The annual fuel saving over the same period is estimated to be around £250,000. The RHI payment system would provide a simple payback period of approximately 6 years thereafter the full benefit of the RHI would generate an income stream for the next 14 years of £16,000 index linked to inflation.

3.9 The Museum Trust need to provide match funding for the project and funding of the boiler is one source of match funding. One option is for the Museum to bring in a third party to install the boiler and use this as match funding against the HLF bid with the third party taking the RHI income and selling heat to the Museum. As an alternative, as the Council owns the building, it is proposed that the Council provide the match funding for the boiler and in return the Council take the RHI payments and looks to develop an agreement with the Museum over fuel costs where the Council sells heat to Norton Priory and a price currently less than they pay from the Grid.

4.0 **POLICY IMPLICATIONS**

4.1 There are no policy implications.

5.0 **FINANCIAL IMPLICATIONS**

5.1 The Council has already agreed to provide a loan to Norton Priory in the event they are unable to secure all of the required match funding to support the HLF bid. By agreeing to fund the boiler this would contribute towards the required match funding and would reduce the loan requirements potentially required from the Council.

5.2 By funding the boiler this would create a long term income stream that would yield approximately £350,000 - £380,000 in RHI payments together with potential income from the net fuel savings.

Funding from the capital cost of the boiler will be met from the Invest to Save Budget.

6.0 **IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

6.1 **Children & Young People in Halton**

None.

6.2 **Employment, Learning and Skills in Halton**

None.

6.3 **A Healthy Halton**

None.

6.4 **A Safer Halton**

None.

6.5 **Halton's Urban Renewal**

A Biomass boiler would contribute to the Council's overall sustainability objects of reducing carbon. It was estimated the boiler would save around 66 tonnes of CO₂ per annum, an estimated reduction of 1,320 tonnes CO₂ over the lifetime of the boiler.

7.0 **RISK ANALYSIS**

7.1 The estimated income from RHI is based on heat used and this will vary year by year depending on weather patterns and seasonal

variations, therefore income levels could vary. Before the boiler is installed a detailed design will be undertaken which will take account of past energy usage and this will provide some assurances of the RHI income yield over the 20 year period.

8.0 **EQUALITY AND DIVERSITY ISSUES**

8.1 None.

9.0 **LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

9.1 None.