

## Business Case – H009 Boiler replacement in IRLs

Project Initiation Stage

<b>Project/Item Title</b>	Replacement of 2 no. gas boilers in IRLs		<b>Version</b>	1.0
<b>Corporate Head</b>	Andy Vincent	<b>Service Area</b>	Housing	
<b>Service Committee to Approve Budget</b>	Housing			
<b>Anticipated Cost of Proposal (Capital)</b>	£500,000 growth (£250,000 already in capital programme)	<b>Anticipated Cost Proposal (Revenue)</b>		
<b>To be completed for Projects only (H009)</b>				
<b>Type of Project</b>	Replacement	<b>Project Duration</b>	One off replacement work	
<b>Proposed Project Start Date</b>	Mar-23	<b>Proposed Project End Date</b>	Mar-24	

### Business Case Context

#### Background

Describe the purpose of the Business Case, what benefits are expected to be delivered or what problem will be solved (What is wrong with the status quo? What are the drivers for change?). Is the scheme a result of legal/statutory requirements or a stakeholder consultation?

2 IRL communal commercial boilers are passed the end of their expected life and are due for replacement.

£250,000 has been budgeted for a like to like replacement - i.e. a commercial wet system (Mains Gas) - with a newer version.

These gas commercial systems have a 20-25 year life expectancy through correct servicing schedules.

The Housing Service was hoping to be able to apply to the Social Housing Decarbonisation Fund to assist with the cost of replacing the 2 boilers to a system with lower carbon emissions. Unfortunately as the 2 IRL schemes are C energy efficiency rated (the SHDF will only support funding applications for properties D rated or worse) an application to the fund will not be accepted.

### Strategic Links - relate this Business Case to RBC Corporate Strategies and Corporate Values

<b>Corporate Strategies</b>	<b>Describe how this Business Case meets / contributes to the Corporate Business Plan through each of the Corporate Strategies.</b> - Delete those not applicable
<b>Climate Change Strategy</b> <i>Reducing Carbon emissions from the Council's operations and the wider Runnymede community.</i>	A reduction in carbon emissions from RBC's IRL stock - a further step towards being a carbon neutral service by 2030.  Potential reductions in individual resident's fuel bills.
<b>Organisational Development Strategy</b> <i>Enable Officers and Members to perform their duties to the best of their ability and make Runnymede Borough Council the employer of choice for local people.</i>	This supports the Council's Climate Change Strategy.
<b>Economic Development Strategy</b> <i>Ensuring that the Borough continues to be a leading economy in Surrey and the wider sub-region.</i>	
<b>Empowering the Community Strategy</b> <i>Evidence Based Decision Making, Listening to residents, Enabling Communities to help themselves and to take control of services or plans for their areas, Working effectively with partner organisations, Dealing with inequalities.</i>	
<b>Health and Wellbeing Strategy</b> <i>Support the delivery of a range of services and functions to improve outcomes for residents and their quality of life.</i>	
<b>Corporate Values</b>	<b>Describe where this Business Case fits in our Corporate Values - Delete those not applicable</b>
<b>People-focused</b> – we will put people at the heart of what we do and they will be able to deal with us easily.	
<b>Passionate</b> – we will empower our staff to be passionate about all we do.	
<b>Performance driven</b> – we will strive for excellence in all we do.	
<b>Innovative</b> – we will aim to creatively improve our services and be open to new ways of providing services.	
<b>Promoting equality and diversity</b> – we believe in fairness as well as maintaining a diverse workforce so we can draw upon a wide range of views and experiences to meet the changing needs of our communities.	
<b>Delivering excellent value for money</b> – we will strive to be as efficient and effective as possible.	
<b>Collaborative</b> – we will work together and with others to deliver positive outcomes for our communities.	
<b>Transparent</b> – we will be open and honest to all about what we do.	

### List your Business Case Objectives, ensuring they are Specific, Measurable, Achievable, Realistic and Timely

It is proposed that the two boilers past the end of their life in our IRL schemes are replaced with communal air source heat pumps. Work has been done by an external consultancy F+G to establish the cost of these communal systems.

The Housing Service is able to quantify the reduction in carbon emissions achieved by replacing the two IRL boilers with systems with low carbon emissions. For the individual flats (harder to establish the reduction in carbon emissions from communal areas) in Floral House for example this would equate to a reduction of in excess of 7

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individual flats (harder to establish the reduction in carbon emissions from communal areas) in Floral House for example this would equate to a reduction of in excess of 7 tonnes per annum.

Replacing the two boilers with gas heating systems does not align with the Council's Climate Change Strategy and commitments

### List the Constraints or Parameters in which this Business Case will operate

A new boiler would be a wet system and would operate using the existing pipe network within the scheme.

An upgrade of our IRL stock is taking place in 2023/24 and this would align with that work

### List the Outcomes and Benefits (including efficiency gains) you expect the scheme to achieve

A reduction in carbon emissions from RBC's IRL stock - a further step towards being a carbon neutral service by 2030

Potential reductions in individual resident's fuel bills

### Appraisal of Business Options (must include evaluation of a 'do nothing' option)

#### Option 1 (preferred option):

##### Description

Describe the preferred option and why. Describe the current position and the consequences/reasons that do nothing is not a viable option.

The preferred option is to replace the two 'end of life' boilers with communal air source heat pumps rather than gas boilers.

Budget exists to replace the existing boilers 'like for like' i.e. with a replacement gas boiler

#### Benefits (comparison to other options considered)

Consider any tangible benefits of the Preferred Option, consider benefits such as income generation, savings, great efficiency, compliance with legislation / industry standards – soft benefits, reputation, residents' satisfaction, perception of Council

The key benefit is carbon reductions as a result of the low carbon heating system

There is the potential that residents will also see reductions in their fuel bills

Advantages to Service Area (preferred option)	Disadvantages to Service Area (preferred option)
An asset managed in accordance with its remaining life expectancy	Potential expectations from other IRL schemes that we will do work to upgrade/decarbonise their heating systems
A new boiler - with an extended life	The heat levels achieved by an air source heat pump are similar to a traditional boiler - although residents will require their heating to be 'on' for long periods to achieve the same levels of heat
Other heating options have been considered. I.e. a ground source heat pump. The cost of a ground source pump would be £858K proposed - but would have a longer life, with similar maintenance implications.	
Costs to Organisation (preferred option)	Benefits to Organisation (preferred option)
£500,000 instead of £250,000	Good public relations
	A further step towards meeting the Council's climate change commitments
	Reduced heating costs for the organisation and for residents

#### Resource Requirements

##### Staffing Appraisal (preferred option):

Outline the expected staffing / resourcing requirements for the preferred option in the table below, think about resources required in your team and others. This should include job titles, number of hours worked and salary.

Existing Staffing	New RBC Staff Requested	New External Staff Requested
Existing Staffing		

Add any costs into the financial appraisal table.

### FINANCIAL APPRAISAL

#### Finance Appraisal (preferred option) - To be completed with the Finance Department:

Describe the financial and resource implications of this option. See Financial Appraisal below to capture numbers.

How will it be financed? Is a Supplementary Revenue Estimate required? Can it be resourced via a Virement (including areas other than your own)?

Is there other funding available? Has funding been agreed? Demonstrate how the council can receive a return on investment, whether cashable, cost avoidance or quantifying tangible benefits – Seek advice from your accountant. **Business cases will not be considered by the Chief Executive unless a full financial appraisal has been agreed by the Accountancy Team.**

**Explain how the cost estimate has been drawn up e.g. based on the costs of a similar project/item; based on quotes from suppliers etc:**

The costs are based on a financial appraisal provided by F+G consultancy - where they have also considered the implications of installing a ground source heat pump.

**Please explain how you have considered the VAT implications of the project/item:**

**If this project involves building or refurbishment work within corporate assets has the project/work been consulted on and agreed by the Corporate Head of Strategic Land and Property Assets? Please give details.**

This work does not involve a corporate asset

### CAPITAL COSTS

Capital Expenditure (specify codes required)	Year 1 (£)	Year 2 (£)	Year 3 (£)	Year 4 (£)	Year 5 (£)	Year 6 (£)
IRL boiler upgrade - additional growth in addition to £250K in capital programme	500,000					

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<b>Total Capital Expenditure</b>	500,000	-	-	-	-	-	
<b>Capital Income</b> (specify codes required)	<b>Year 1 (£)</b>	<b>Year 2 (£)</b>	<b>Year 3 (£)</b>	<b>Year 4 (£)</b>	<b>Year 5 (£)</b>	<b>Year 6 (£)</b>	
NIL	-	-	-	-	-	-	
<b>Total Capital Income</b>	-	-	-	-	-	-	
<b>Net Capital Outlay</b>	<b>500,000</b>	-	-	-	-	-	
<b>Estimated Useful Life of the Asset:</b> Where the expected lives of each significant component of the asset are different (i.e. buying a house with a flat roof) you must estimate both the useful life and cost of replacing each component part. Please only include components greater than £20,000 in cost or more than 20% of the total value of the asset.					<b>Estimated Value (£)</b>	<b>Estimated Life (yrs)</b>	
<b>Overall asset</b>	<b>(basis of estimation)</b>						
<b>Component 1: Air source heat pump</b>							15
<b>Component 2</b> (specify):							
<b>Component 3</b> (specify):							
<b>REVENUE COSTS</b>							
<b>Revenue Expenditure</b> (specify codes required)	<b>Year 1 (£)</b>	<b>Year 2 (£)</b>	<b>Year 3 (£)</b>	<b>Year 4 (£)</b>	<b>Year 5 (£)</b>	<b>Year 6 (£)</b>	
NIL	-	-	-	-	-	-	
<b>Less:</b> Savings to existing budget (Please specify)							
<b>Total Revenue Expenditure</b>							
<b>Revenue Income</b> (specify codes required)	<b>Year 1 (£)</b>	<b>Year 2 (£)</b>	<b>Year 3 (£)</b>	<b>Year 4 (£)</b>	<b>Year 5 (£)</b>	<b>Year 6 (£)</b>	
NIL	-	-	-	-	-	-	
<b>Total Revenue Income</b>	-	-	-	-	-	-	
<b>Net change to revenue budgets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Business Case / Risks</b>							
<i>Outline the risks (Managerial, Financial, Operational etc.) to RBC if delivering the preferred option. A risk summary only is required here.</i>							
<b>Risk Description</b>	<b>Mitigation / Help needed</b>						
Procurement	Housing Technical Services would need support to write the specification for this work						
Installation	This can be managed in house						
Maintenance	This is a new component to RBC - we would need to check with our Heating Contractor that they can manage this component						
Running costs of the boiler are higher than the existing system	This risk is low - but work needs to be done to ensure they are using fuel efficiently						
<b>Impact</b>							
<i>Consider the impact of the Business Case on the Organisation / Environment / Technology / Commercialisation / Cultural / HR</i>							
<b>A positive environmental impact due to the reduction in carbon emissions</b>							
<b>Authorisation</b>							
Approved by Corporate Head of Finance	Paul French				Date	12/01/2023	
Approved by Corporate Leadership Team	Subject to feedback		Date	23/11/2022	Priority Score	Should	
Committee Report to be presented to:					Date		