

WEST NORTHAMPTONSHIRE COUNCIL CABINET

13TH FEBRUARY 2023

CABINET MEMBER RESPONSIBLE FOR HOUSING, CULTURE AND
LEISURE – COUNCILLOR ADAM BROWN

Report Title	Rural leisure centres heat decarbonisation schemes
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List of Appendices

None

1. Purpose of Report

- 1.1 To seek support for a capital scheme of £8.039m, largely funded from grant, in 2023/24 for heat decarbonisation schemes in four 'rural' leisure centres (Daventry, Brackley,

Towcester, and Moulton). The capital scheme has been included in the draft capital programme for 2023-24.

2. Executive Summary

- 2.1 The Council provides leisure centres at Daventry, Brackley, Towcester, and Moulton.
- 2.2 The Council applied for funding from the Public Sector Decarbonisation Scheme (PSDS) Phase 3b to implement heat decarbonisation schemes in four rural leisure centres.
- 2.3 It is proposed to upgrade end of life gas heating system into electric heating systems using Air Source Heat Pumps (ASHP) and to install roof mounted PV systems. This will allow to cover a proportion of their electricity consumption by the onsite generated electricity. This offers an excellent financial return as well as making a contribution to the Council's net zero carbon goals.
- 2.4 The expected scheme cost is £8.039m. The funding conditions stipulate that the Council needs to match fund the project by at least 12% of the project's cost. This amounts to £0.965m. The value of the funding requested was thus £7.075m.
- 2.5 The proposal passed the funder's technical assessment, and the Council has received and countersigned the funder's Grant Offer Letter.

3. Recommendations

- 3.1 It is recommended that Cabinet:
 - 3.1.1 Note the inclusion of the scheme in Capital Programme contained within the final budget proposals being considered by Council on 22 February 2023.
 - 3.1.2 Authorise the procurement of services and works and, subject to Council approval of the budget, delegate the award of contracts for the services and works to the Executive Director of Place, Economy and Environment in consultation with the Section 151 Officer and the Portfolio Holder.

4. Reason for Recommendations

- 4.1 To replace end of life heating systems and, reducing risks of failure and improving customer service to leisure centre users.
- 4.2 To mitigate the energy costs of the buildings.

- 4.3 To support the Council's efforts in meeting the net zero target for 2030 by decarbonising heat and increasing generating capacity from renewable resources.

5. Report Background

- 5.1 The Council provides seven leisure centres. Of these four can be considered 'rural': Brackley Leisure Centre, Daventry Leisure Centre, Moulton Leisure Centre, Towcester Centre for Leisure, and three are in Northampton: Danes Camp, Ling's Forum, and Mounts Baths.
- 5.2 The Council has a central role to play in the provision of community sport and recreation facilities, which also contribute to delivering good public health. Maintaining leisure centres operations helps WNC to fulfilling these roles and is a direct benefit to residents who use the facilities. Additionally, in many cases the Council earns a management fee from the operators. Therefore, it is useful to keep the buildings and their systems in good order.
- 5.3 The four 'rural' leisure centres have been included in a project to replace heating systems with modern low carbon solution, largely funded by SALIX. SALIX is the government's agent for supporting transition to low carbon public services. It administers the Public Sector Decarbonisation Scheme (PSDS) on behalf of the Department of Business, Energy and Industrial Strategy (BEIS).
- 5.4 The heating systems that are proposed to be replaced are all based on burning gas. They are at least 24 years old except for the heating system for Moulton which is 11 years old. They are all reaching the end of their lives. This has resulted in a need for expensive repairs to maintain them and they will have to be upgraded or replaced very soon. Additionally, their efficiency has declined and therefore they consume more gas to provide the required heat output.
- 5.5 The Council's Corporate Plan encourages the implementation of solutions that will support sustainability. In particular, it sets a goal of net zero in the Council's operations by 2030. Leisure centres are a significant contributor to the Council's energy use and carbon emissions.
- 5.6 The proposed new heating systems are based on air source heat pumps. These can be thought of as concentrating heat available in the air. That heat is then used to heat buildings and, in this case, swimming pools. Collecting heat from the air in this way enables much higher efficiency to simply burning gas or direct electric heating. In addition, the proposed scheme provides additional photovoltaic (PV, solar) electricity generation on the buildings. This further reduces net energy demand. The projected impacts of the new systems compared to the existing systems are shown in Table 1.

Item	Consumption/ Production, MWh	Emissions, CO₂ tonnes	Annual cost, £k
Gas heating (saving)	-5,949	-1,090	-599
Air source heat pumps	1,242	264	330
Electricity generated from PV systems	-164	-35	-44
Net effect	-4,871	-861	-313

5.7 As Table 1 shows, by implementing this project, the Council can save £313k per year on utility costs as well as 861 tonnes of carbon dioxide (CO₂). This is based on forecasted utility rates for 2023/24. This means that the Council could recoup its initial investment in three years after the initial investment. There would also be indirect savings such as maintenance costs savings as the new heating systems would require less frequent maintenance.

5.8 It should be noted that the financial savings are subject to the Council's contractual relationships with the leisure centre operators (Sports and Leisure Management, SLM, and Parkwood). In the case of centres run by SLM (Daventry and Moulton), the Council bears utility cost risk, so the saving should pass through directly. In the case of the centres run by Parkwood, the mechanism is instead a review of the management fee. These issues are explored further in the Financial implications.

6. Issues and Choices

6.1 The choices available to the Council are as follows.

6.2 Option 1: Do nothing and leave the buildings as they are. This would not enable the Council to mitigate against increasing energy costs, maintenance costs or carbon emissions. There is also a high risk that the heating systems stop operating which will lead to long service disruptions, poor customer service, and reputational harm for the Council

6.3 Option 2: Carry out the proposed installation and benefit from a grant of £7.075m, with the savings outlined above.

6.4 Option 3: Like for like replacements. This would cost around £1m. The new heating systems would be more efficient, but this would not help as much with mitigating utilities costs. It would theoretically fall within the responsibility of the two operators of the leisure centres as they have full repairing leases. In practice this is unlikely to be secured, as the operators are likely to maintain the increasingly inefficient currently systems until the end of their contract terms rather than take that scale of capital investment. Alternatively, they may simply seek to exit the contracts or renegotiate terms on the

grounds they were no longer viable. This option would also mean that Council would lose the opportunity to benefit from a grant to decarbonise the heating systems.

- 6.5 Option 2 is clearly preferable, enabling the Council to deliver good customer service, support its public health objectives, reduce net operating costs, and take a major step forward in reducing its carbon emissions.

7. Implications (including financial implications)

Resources and Financial

- 7.1 Option 2 would require a WNC investment of £0.965m to create an overall project budget of £8.039m. The WNC contribution taken over 20 years on an annuity basis at 4.5% interest rates would cost £0.074m pa.
- 7.2 The utility costs for the four leisure centres would be decreased by £0.313m pa, resulting in a net saving of £0.239m pa.
- 7.3 As noted above, in practice how this affects the Council's finances would be complicated by the operation of the leisure provision contracts. All of these are under significant pressure following the Covid-19 pandemic and may well not be able to meet their original income expectations. However, what can be said is that whatever the position in relation to the centres would have been without this intervention, it would be materially better with it in place. That is, it may represent cost avoidance rather than a saving against budget, but it is equally valuable.

Legal

- 7.4 The Council can implement the proposed scheme under the powers provided by Section 111 of the Local Government Act 1972 (powers to do things incidental to the discharge of their functions). Where electricity generated is not used on site (which should only be a very small proportion of that generated) it can be sold to the grid under Section 11 of the Local Government (Miscellaneous Provisions) Act 1976.
- 7.5 The Council will need to comply with the terms of the grant agreement. These include a duty to include reference to the funding provided through SALIX by BEIS in publicity about the schemes.

Risks

- 7.6 The project carries a number of inherent risks, notably:

- 7.6.1 Works could be delayed due to material and labour supply issues. This could be mitigated by the early ordering of materials by the contractor and an agreed programme between the parties.
- 7.6.2 There is a capacity pressure on the grid which can lead the distribution network operator (DNO) to require improvements to its infrastructure and to the incoming electricity supplies. This could lead to delays and increased costs. This would be mitigated by conducting specialised surveys to confirm assumptions made in high level original surveys and by coordination with the DNO at the early stages of the project.
- 7.6.3 The contractual relationships with the operators may complicate securing the savings to offset the Council's contribution. However, as noted above, the contracts are already under financial pressure so securing a direct real reduction in operating costs should feed through to the Council one way or another, even if it means a reduced increase in net costs rather than a saving.

Consultation

There are no consultation implications relating to this report.**Climate Impact**

- 7.7 This project would help tackle the causes of climate change by increasing efficiency and adding generating capacity from renewable resources. Overall, it should decrease emissions by 861 tonnes of CO₂ per year.

Community Impact

- 7.8 This project would enable to the communities of Daventry, Brackley, Towcester, and Moulton to benefit from leisure centres with modern heating systems which can guarantee good heating levels.

Communications

- 7.9 The project would help demonstrate how the Council's net zero commitment it being delivered alongside securing good service for residents.

8. Background Papers

- 8.1 None.