



WEST OXFORDSHIRE
DISTRICT COUNCIL

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Name and date of Committee	DELEGATED DECISION
Subject	DECARBONISATION OF WINDRUSH LEISURE CENTRE
Wards affected	Carterton wards
Accountable member	Cllr Andrew Prosser, Cabinet Member for Climate Change Email: andrew.prosser@westoxon.gov.uk
Report Author	Hannah Kenyon, Climate Change Manager Tel: 01993 861407 Email: hannah.kenyon@publicagroup.uk
Summary/Purpose	To consider accepting Public Sector Decarbonisation Scheme funding for Windrush Leisure Centre and to contribute a maximum of £224,866, equating to 12% of total project costs.
Annexes	Annex A – Executive report Annex B – Pick Everard report
Recommendation(s)	That the Chief Executive resolves to: <ol style="list-style-type: none">I. Accept the grant funding with a maximum client contribution of £224,866.
Corporate priorities	<ul style="list-style-type: none">● Responding to the Climate Crisis
Key Decision	YES
Exempt	NO

1. BACKGROUND

- 1.1. Executive agreed on 13 December 2023 to delegate authority to the Chief Executive Officer, in consultation with the Director of Finance and the Executive Members for Finance and Climate Change to:
 - a) Accept the grant funding, if awarded to the Council, and earmark the required client contribution of £224,866 in the 2024/25 budget.
 - b) Note that project risks have been identified and that project gateways will be used where any decision relates to capital spend.
- 1.2. For background information on the funding bid, please refer to the Executive report, included in Annex A.
- 1.3. Salix Finance offered grant funding to the Council on 16 February 2024. The Council is required to accept the funding award within 10 days of this date.
- 1.4. The Council has also been offered Swimming Pool Support Fund (SPSF) grant funding to financially support Windrush Leisure Centre. A total of £228,624 has been awarded for solar PV panels and £14,704 for energy saving showers. Approval is being sought at Executive on 6 March for the Council to accept the funding and enter into an agreement with Sport England.
- 1.5. PSDS 3b grant funding has been secured for the Carterton Leisure Centre decarbonisation scheme and an Investment Grade Proposal (IGP) is being worked on.

2. FINANCIAL IMPLICATIONS

- 2.1. The total project value included in the PSDS 3c application is £1,873,879. This comprises a total grant award of £1,649,013 and a mandatory 12% client contribution from the Council of £224,866 which acts as contingency for the project.
- 2.2. In accepting the PSDS 3c grant funding, the Council must be confident that the scheme can be brought in within budget to demonstrate successful delivery.
- 2.3. If the project becomes unviable, the Council will not be required to return funds spent to date as long as the Council has acted in good faith i.e., has only spent funds if the project is considered viable. The Council's client contribution will function as a contingency and the intention is only to spend it in Year 2 if needed.
- 2.4. GEP Environmental (GEP), who produced the RIBA Stage 2 design, has provided reassurance that the costs included in the application reflect market prices and are supported by their experience delivering other PSDS projects for public sector clients.
- 2.5. Pick Everard have been commissioned to review the costs and their full report is included in Annex B.
- 2.6. Some potential risk items have been identified, as set out in the table below, along with mitigation measures.

Table 1 – Pick Everard's cost evaluation

GEP cost	Total (£)	Comments
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GEP cost	1,873,879.00	
Inflationary risk	77,000.00	Sufficient time has been allocated to obtain quotes and equipment will be ordered early in Y2 to reduce the inflationary risk.
Potential risk items	Total (£)	
ASHP	126,650.00	<p>Hesitant to use Carterton as a cost comparison as it is a different scheme. GEP costs based on purchase and installation of similar units from other projects. Glade quote suggests an additional £7k per air source heat pump (ASHP) might be required. Heat pump type and specification to be determined in the detailed design.</p> <p>GEP has included additional pipework within the plant room to integrate the new equipment into existing circuits for distribution throughout the building. Pick Everard has increased the cost risk of pipework, fittings, valves, and brackets. Extent of works will be determined in the detailed design.</p>
Substation additional allowance	25,000.00	£125k allocated to new substation. Pick Everard have increased this by £25k, which GEP supported

		following conversations with the district network operator, SSEN. However, SSEN quote to upgrade the grid connection for new substation for PSDS 3b Carterton Leisure Centre scheme was £73,107.72 plus VAT.
Scaffold (if required to entire Sports Hall elevation)	100,000.00	GEP costs include scaffolding for the installation of the rooftop ASHPs. Removal of solar PV from the scheme will reduce scaffolding requirement to ASHP location only and lower cost risk. SPSF roof survey will determine the extent of roof works and scaffolding required.
Fall protection systems	25,000.00	Unlikely cost risk if solar PV is removed from the scheme.
Rainwater goods	Excluded	Rainwater goods could be included at the leisure centre later.
Pipework insulation	20,000.00	More pipework may require insulation once full works begin so an allowance is reasonable.
Structural improvements	25,000.00	Relates to the roof and strengthening works that could be required over and above the refurbishment costs GEP have allowed for, if the structural survey

		comes back and says the roof is not sound. Removal of solar PV from the scheme will minimise this cost risk.
Preliminaries @15%	58,269.50	Pick Everard refers to DNO works, equipment lead times and lifting equipment as reasons for the increase in cost risk.
BWIC (if not included in GEP costs)	Excluded	Included in GEP costs.
Inflation on risk items	15,652.68	As above.
Forecast construction cost	2,346,451.18	
Potential funding gap – estimated by Pick Everard	472,572.18	Worst case scenario if all the above risks happen.
Removal of solar PV from scheme	228,624	Subject to a successful change request to Salix, solar PV funds can be diverted to supplement heating system cost.
Reduction in PM and CM costs	Unknown	Pick Everard highlighted the management costs allocated to the project as 'excessive', indicating that any excess could be redistributed to cover costs elsewhere, if needed.

Potential funding gap – estimated by WODC	243,948.18	Worst case scenario if all the above risks happen.
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- 2.7. Pick Everard state: ‘Please note that the above potential cost risk items do not include any allowance for council contributions to the scheme. There is potential to offset some of these costs against the PM and CM costs which are included at circa £170k, or 10%, of the overall costs, and which we consider to be on the high side. Discussion around these items could be held with GEP as part of the final contract negotiations.’ Sufficient PM resource will be required to ensure the project is managed well; however, costs will be minimised and diverted to other areas of the project if possible.
- 2.8. SPSF grant funding has been offered for the purchase of solar PV panels. If both the funding offers are accepted, a change request should be made to remove solar PV from the PSDS 3c scheme and divert funds to the heating system. As the main driver behind PSDS is to decarbonise buildings through removing fossil fuel reliance, it is likely that Salix will agree to prioritising a replacement heating system over on-site renewables. This change will not reduce the amount of funding that the Council is awarded.
- 2.9. The Council may incur additional project costs, which are ineligible for PSDS funding. This includes compensation payments to GLL for any leisure centre closures, the level of which depends upon which facilities are closed and over what duration. Compensation on PSDS 3b is estimated to be in the region of £50k based on 2.5 weeks of swimming pool closure, which is a good marker.
- 2.10. The 12% Council funding has been accounted for in the 24/25 budget. Additional costs will need to form part of the 25/26 budget discussions this year.
- 2.11. Operational costs will be affected by the decarbonisation, and these will depend on the relative price of gas and electricity. A change in energy pricing will trigger a change request to the contract. GLL must approve changes to the contract for the scheme to be built. The project team will engage with GLL throughout the project.

3. LEGAL IMPLICATIONS

- 3.1. The Council is not legally required to decarbonise its buildings but must ensure suitable heating systems are in place for tenants (GLL) and leisure centre users.
- 3.2. Signing the offer letter would not legally commit the Council to deliver the scheme. However, to withdraw after accepting the offer would be reputationally damaging and could affect the Council’s future chances of securing PSDS funding.
- 3.3. There are no other legal implications arising directly from this report.

4. RISK ASSESSMENT

- 4.1. The gas boilers are reaching end of life and, if funding is not secured for a replacement low carbon heating system shortly, there is a risk that replacement boilers would need to be installed and the leisure centre would become ineligible for PSDS funding until the gas boilers are 10 years old. A gas only system is at odds with the Council’s Carbon Action Plan. Failing

to decarbonise the leisure centre and selecting a gas-based option could be reputationally damaging to the Council. These risks, however, need to be weighed against affordability.

- 4.2. Gas replacement parts may be difficult to source as low carbon heating systems become the status quo.
- 4.3. There is a risk that the future grant funding will be unavailable, or the Council is unsuccessful in securing funding through the competitive process.
- 4.4. If the Council does not achieve net zero by 2030, carbon offsets may be required at a cost to the Council.
- 4.5. PSDS 3b Carterton Leisure Centre decarbonisation has seen project costs increase. The gap between the secured funding and build out costs has widened partially due to limited supply of essential equipment and inflated market prices. PSDS 3c costs have been calculated to ensure there are sufficient funds to purchase equipment within budget and project timescales allow time to get competitive quotes. The volatility of the utility markets will affect the cost of gas and electricity. It is difficult to accurately predict these utility costs into the future and therefore establish the difference in operational costs between a gas heating system compared to a low carbon one.
- 4.6. The Council's contribution to the project is almost twice as much as the replacement cost of the current gas boilers. ASHPs are more expensive than gas boilers but the grant funding is excellent value for money and makes necessary decarbonisation affordable.
- 4.7. The leisure contract includes terms requiring the leisure contract operator (GLL) to cover the operating costs of the leisure centres, including utility bills, which transfers the utility risk to the contractor. GLL pays the Council a management fee that enables the Council to achieve a return against these assets. Replacing the gas heating with a low carbon heating system would change the utility cost risk and GLL are likely to seek a change to the current contract terms. This could increase the cost risk for the Council. The Council cannot reasonably require this change in heating system without GLLs agreement and forcing them to bear the cost risk is likely to result in dispute and/or contract default, which could affect the operation and opening of the leisure centre. GLL have been supportive of the decarbonisation at Carterton Leisure Centre and discussions have been held on the utility costs and cost risk. The tight timescale available to implement this project also means that delays caused by contract renegotiation could affect the timings and completion of the project. GLL accommodated a site visit to inform the Stage 2 RIBA design and therefore are aware that the building decarbonisation is being considered. The project team will engage GLL at the start of the project and throughout so that GLL can feed into the scheme design and consensus can be built around any contract variations.
- 4.8. Salix requires the Council to allocate spend in Year 1 and Year 2. The Council has concluded, in consultation with its consultants GEP and Pick Everard, that 28% of the funding would be spent in 2024/25 and the remaining 72% would be spent in 2025/26. There is no flexibility in this, so if the Council accepts the grant offer, then spends less than 28% in Year 1, it cannot carry the funding forward and this proportion of unspent funding would be lost. This would then mean the Council would need to cover the gap in funding for Year 2. Expenditure would also have to be carefully managed to avoid spending more than 28% in Year 1.

- 4.9.** Salix has the right not to pay any or all of the grant if they do not receive the funding from the government. As it seems likely there will be a change of government during this project, this risk may be higher than it would be at other times. Removal of awarded decarbonisation funding by any new government would be politically damaging. The Council will submit monthly payment requests for expenditure to minimise the risk of non-payment.

5. EQUALITIES IMPACT

- 5.1.** None.

6. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 6.1.** The Council has made a climate and ecological emergency declaration and pledged to become a carbon-neutral Council by 2030. The approved Council Plan identifies responding to the climate and ecological emergency as a priority and a focus for action is to drive down carbon emissions from Council operations.
- 6.2.** Leisure centres and facilities account for 38% of the Council's carbon emissions across all scopes and the operation of Windrush leisure centre makes a significant contribution to these emissions, totalling 431.6 tonnes of CO₂e in 2021/22.
- 6.3.** The Carbon Action Plan 2024-2030 identifies the decarbonisation of the leisure centres a key action on the pathway to achieve carbon neutrality by 2030. The scheme will result in an annual carbon reduction of 241.7 tonnes of CO₂e, which is approximately 8% of the Council's carbon emissions.
- 6.4.** Carbon offsetting and/or insetting may be required and would add considerable cost to operating a gas heating system.

7. ALTERNATIVE OPTIONS

- 7.1.** Not to accept funding and retain/replace the gas heating system. This would not lead to carbon reduction.
- 7.2.** Not to accept funding and for the Council to fund the decarbonisation scheme in full, which would not make financial sense.

BACKGROUND PAPERS

None

(END)