



WEST OXFORDSHIRE
DISTRICT COUNCIL

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Name and Date of Committee	EXECUTIVE – 13 DECEMBER 2023
Subject	WINDRUSH LEISURE CENTRE – PSDS 3C FUNDING BID
Wards Affected	WITNEY SOUTH
Accountable Member	Councillor Andrew Prosser – Executive Member for Climate Change. Email: andrew.prosser@westoxon.gov.uk
Accountable Officer	Hannah Kenyon – Climate Change Manager. Email: hannah.kenyon@publicagroup.uk
Report Author	Lily Paulson – Climate Change Officer. Email: lily.paulson@publicagroup.uk
Purpose	To seek approval, ahead of an award decision, to accept 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 – Project Costs Annex B – Climate Impact Assessment (CIA)
Recommendation(s)	That the Executive Resolves to: I. 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.
Corporate Priorities	<ul style="list-style-type: none">• Responding to the Climate and Ecological Emergency
Key Decision	YES

Exempt	TBC
Consultees/ Consultation	Councillor Prosser – consulted in parallel to the Management Team, awaiting comments. Ward councillors – to complete.

I. BACKGROUND

- 1.1 West Oxfordshire District Council (the Council) declared a climate and ecological emergency in 2019, making its pledge to become a carbon neutral council by 2030. This means reducing the council's emissions to as close to zero as possible then offsetting the remainder through verified schemes. The decision was taken at a Full Council meeting on 26 June 2019.
- 1.2 Carbon emissions from leisure sites accounted for 38% of the council's emissions in 2021/22. Decarbonising the leisure centre's heating systems is on the critical path to meeting our carbon neutral target.
- 1.3 The Public Sector Decarbonisation Scheme (PSDS) provides grants to help fund the conversion from gas powered systems to more sustainable options like air source heat pumps, often coupled with solar panels and energy efficiency measures. It is administered by Salix Finance, on behalf of the Department for Energy Security and Net Zero.
- 1.4 The Council has been successful in previous PSDS rounds, securing PSDS 3b funding for the heat decarbonisation of Carterton Leisure Centre.
- 1.5 The PSDS 3c funding round opened for submissions on 7 November 2023 and the Council submitted a proposal to decarbonise Windrush Leisure Centre in Witney as a two-year project starting in April 2024 and finishing by March 2026.
- 1.6 Applicants are expecting to be notified of the outcome of their applications by March 2024, though previous funding rounds have notified applicants as early as December. This year, there was a four-week delay to the portal opening for PSDS 3c, so we expect announcements to be slightly delayed.

2. MAIN POINTS

- 2.1 GEP Environmental Ltd. was appointed in September 2023 to design a low-carbon heating system for Windrush Leisure Centre. GEP is a specialist engineering company who are also one of the six companies nationally appointed to review the PSDS funding applications on behalf of Salix. They produced a RIBA Stage 2 design for the leisure centre, following a site visit on 27 September 2023.
- 2.2 An application to replace the end-of-life boilers at Windrush Leisure Centre with a low-carbon heating system and solar panels was submitted on 7 November 2023. The proposed system is to install a CO₂ air source heat pump (ASHP) which will provide high temperature hot water to the building, and a new air-handling unit with an integrated direct expansion heating system to provide space heating and serve to top-up high water temperatures if needed.
- 2.3 Most of the work will be limited to the plant room and exterior of the building, meaning minimal disruption for leisure centre users. 115 kW of solar panels will be added to the roof and resurfacing works have been accounted for in the project costs. The amount of rooftop

solar has been maximised and will provide around 20% of the electricity demand of the new system.

- 2.4 If the Council is awarded grant funding, the offer must be accepted or rejected within 10 days of the award date. Therefore, a decision must be taken ahead of time to agree whether to accept funding if it is offered.
- 2.5 The total project value is £1,873,879. This includes a mandatory 12% client contribution from the Council of £224,866 which acts as contingency for the project. The total grant value requested is £1,649,013. This is split across two years and the Council is committed to spending the amount allocated to each year or losing the amount that has not been spent. Officers worked with the contractor to estimate a reasonable spending split: £949,217 in 2024/25 and £699,796 in 2025/26.
- 2.6 Accepting the funding at this stage does not necessarily commit the Council to proceeding with the build-out stage of the project or to spending the client contribution (£224,866). As long as progress with the project is made 'in good faith' with the intention of completing the project, then irresolvable barriers to the project's delivery can justify withdrawal.
- 2.7 The project programme anticipates that 2024/25 will be the planning and design year, with April 2024 to August 2024 allocated to the development of a robust detailed design. Following lessons learned from the PSDS 3b project, more time has been allocated to this process to ensure there is sufficient time for engagement with GLL and other stakeholders, and to bring the RIBA stage 3 and final stage 4 designs to Executive for approval. Development of the Stage 3 design, starting in April 2024 at the latest, will provide detail on capital costs and operational costs if the low-carbon design was implemented.
- 2.8 A decision gate has been included in the project programme after the Stage 4 design has been received to allow the Council to decide whether to proceed with the build-out phase of the project in 2025/26. Therefore, Salix is aware of the risk that project costs and the viability of delivering the leisure service will be considered at this stage and may constitute a withdrawal from the project if the barriers cannot be overcome. As long as grant funds are spent 'in good faith', with the intention of completing the project, then this will not need to be repaid.

3. RECOMMENDED OPTION

- 3.1 It is recommended that the Council accepts the PSDS 3c grant funding, if it is awarded, and earmarks the required client contribution for 2024/25.
- 3.2 Identified project risks will be mitigated by introducing project gateways, where a decision will be made to proceed to capital spend if an acceptable contract variation is agreed with GLL and if completion of the Stage 3 design in June 2024 gives confidence around system performance, energy usage, and costs.

4. ALTERNATIVE OPTIONS

- 4.1 Not to accept the PSDS 3c grant funding. The Council could apply for later rounds of PSDS funding if these become available.

5. CONCLUSIONS

- 5.1 The decarbonisation of Windrush Leisure Centre is necessary to achieve carbon neutrality as a council by 2030. If awarded to the Council, the PSDS 3c funding will enable the decarbonisation to happen by 2026.

6. FINANCIAL IMPLICATIONS

- 6.1 The total grant value requested is £1,649,013, which is the maximum amount that the Council will receive from Salix Finance. It is possible that Salix will offer a reduced grant amount if they disagree with the costs included in the application.
- 6.2 The Council is required to deliver the project and spend the total grant value by 31 March 2026. The grant funding is split across two years and the Council is committed to spending the amount allocated to each year or losing the amount that has not been spent. Officers worked with the contractor to estimate a reasonable spending split: £949,217 in 2024/25 and £699,796 in 2025/26.
- 6.3 A mandatory 12% client contribution is required from the Council. This amounts to £224,866 and acts as contingency for the project.
- 6.4 The project costs have been estimated by the contractor based on their experience of working on PSDS projects, with input from the project team based on lessons learnt from the PSDS 3b project at Carterton Leisure Centre. A 10% contingency has been accounted for in all material and installation costs. A further 10% of total project costs has been added to cover the use of an external project manager to support the project, as this has been critical to the PSDS 3b project.
- 6.5 As the project costs are currently contractor estimates, it is likely that these will change once the design has been finalised. However, contingency has been built into all the costs to account for this.
- 6.6 If the project costs increase beyond the figure submitted in the application form, the Council will be required to cover the additional cost or reduce the scope of the project to cut costs (e.g. by excluding solar PV from the project). No additional funding from Salix will be possible.
- 6.7 At this stage, the impact of the project proposals on the operational cost to the leisure providers, GLL, is unknown. This will be a focus of the RIBA Stage 3 design that will be commissioned in April 2024. If the outcome of that detailed design shows that the project is not financially viable and jeopardises GLL's ability to deliver leisure services, then there is a decision gate in the project programme which allows the Council to make the choice to withdraw from the PSDS 3c project.
- 6.8 Accepting the funding at this stage does not commit the Council to proceeding with the build-out stage of the project or to spending the client contribution of £224,866.

7. LEGAL IMPLICATIONS

- 7.1 Legal will review the PSDS 3c T&Cs. Other than this, there are no legal implications arising directly from the report.

8. RISK ASSESSMENT

- 8.1 If an offer of grant funding is accepted and later a decision is made that the project cannot be delivered, there is a reputational risk to the Council which may also jeopardise the council's ability to be successful in future PSDS funding rounds. There are a number of external risks that may impact the deliverability of the project, such as detailed design costs showing significantly higher project costs than originally accounted for, constraints regarding the district network operator (DNO) or high connection upgrade costs, DNO timeframes delaying the installation of new equipment, or product order and delivery times impacting project timeframes. All these risks have been logged in the risk register and will be carefully managed by the project team, project manager and contractor.
- 8.2 If project costs come in higher after the design phase, a decision gate is in place where the Council could decide not to proceed. As long as all works were undertaken in 'good faith' up until that point, the Council will not need to repay any grant funding it has already spent.
- 8.3 The boilers at Windrush Leisure Centre are 17 years old and approaching their end of life. If the decision is to not accept PSDS funding at this time, then there is a risk that the boilers might fail, and an emergency decision would need to be taken which would likely favour a replacement gas boiler. This would be contrary to the council's climate emergency declaration and carbon neutral target.
- 8.4 If the decision is taken not to accept PSDS funding, delivering a decarbonisation project at Windrush Leisure Centre will not be achievable due to the capital cost of the project. This will mean waiting for further funding rounds, which have not been confirmed.

9. EQUALITIES IMPACT

- 9.1 The recommendation in this report does not have any equalities impacts on any group.

10. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 10.1 In the short-term, the decision to proceed with the PSDS 3c project at Windrush Leisure Centre, if the funding is offered, will have slight negative impacts on greenhouse gas emissions, air quality, and waste because of the renovation and construction works on-site. However, these would be offset by the long-term benefits of completing the decarbonisation project, which include the significant reduction in greenhouse gas emissions from heating the building, improvements in air quality and reduction in energy use.
- 10.2 Assuming the PSDS project is successful, this will lead to a 58% decrease in carbon emissions from that site. Over time, as the national grid uses more renewable energy, this will reduce even further.
- 10.3 The full climate implications of the PSDS project at Windrush Leisure Centre are detailed in Annex B. These are broken down into the delivery phase of the project (the design and build phase) and the outcome of the project.

II. BACKGROUND PAPERS

II.1 None.

(END)