



WEST OXFORDSHIRE
DISTRICT COUNCIL

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Name and Date of Committee	EXECUTIVE – 11 SEPTEMBER 2024
Subject	CARTERTON LEISURE CENTRE DECARBONISATION
Wards Affected	Carterton North East
Accountable Member	Councillor Andrew Prosser – Executive Member for Climate Action and Nature Recovery email: andrew.prosser@westoxon.gov.uk
Accountable Officer	Claire Locke – Assistant Director, Property and Regeneration email: claire.locke@publicagroup.uk
Report Author	Claire Locke – Assistant Director, Property and Regeneration email: claire.locke@publicagroup.uk
Purpose	To review opportunities to apply for funding and deliver the decarbonisation of Carterton Leisure Centre.
Annexes	Nil
Recommendations	That the Executive resolves to: <ol style="list-style-type: none">1. Note the review of costs contained within this report and proceed with the preparation of a business case for solar PV and battery storage at Carterton Leisure Centre.2. Agree that an application for Public Sector Decarbonisation Scheme or other grant funding should be made with the agreement of the Director of Finance, if grant terms are subsequently published which provide funding which would mean the Council would not have an ongoing revenue deficit.
Corporate Priorities	<ul style="list-style-type: none">• Responding to the Climate and Ecological Emergency
Key Decision	YES
Exempt	NO

Consultees/ Consultation	GLL – Leisure provider at Carterton Leisure Centre
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1. EXECUTIVE SUMMARY

- 1.1 In April 2024, the Council reluctantly took the decision to pause the project to decarbonise Carterton Leisure Centre. The project had been allocated funding from the Government's Public Sector Decarbonisation Scheme (PSDS) to install air source heat pumps and solar PV at Carterton Leisure Centre. Unfortunately, the Investment Grade Proposal indicated that the Council would need to invest around £3.3M in capital funding and would not get a full return on this investment. The level of ongoing subsidy each year would be just under £130,000 and therefore is not an affordable long-term commitment.
- 1.2 The Council therefore paused the project to review opportunities to reduce the capital investment required by the Council. Salix, the grant fund administrators, were informed that the Council would not be able to deliver the project within the PSDS 3b funding period, which required completion by March 2025.
- 1.3 Officers have been reviewing opportunities to reduce costs or increase funding to enable a viable scheme to be recommended to Executive and Full Council. Unfortunately, no opportunities to significantly reduce costs have been identified and there remains an ongoing inflationary cost pressure. Whilst the detailed terms of the next round of PSDS 4a funding have not been released, the information provided to date suggests the Council could not secure significantly more funding than it received in the last funding round. No other routes of funding for this project have been identified. It is therefore highly unlikely that this project could be financially viable even if the full PSDS allocation was received. The Council is reluctant to reapply for grant funding if it is not confident it could take forward an affordable scheme. Doing so risks reputational damage with Salix, and it is highly likely Salix would seek proof that the funding gap would be met by the Council as it is aware that affordability halted the last project.
- 1.4 At this point in time there is not an affordable option to deliver decarbonisation at Carterton Leisure Centre. This may change in the future, particularly as it is not yet known what funding streams the new Labour Government may introduce. The cost of heat pumps may also reduce over time as demand increases. Delivery of the full decarbonisation scheme can be reviewed if any circumstances change which may render the scheme affordable to the Council.
- 1.5 An alternative to the wider decarbonisation scheme would be the installation of rooftop solar PV to maximise on-site energy generation. It is likely that a business case for this would be viable. The recommendation is therefore that this option is fully explored and costed with a business case brought to Executive and Full Council if required.

2. BACKGROUND

- 2.1 In November 2022, Cabinet received a report which explained that the Council had been forced to withdraw from PSDS 3a due to time delays associated with Scottish and Southern energy (SSE) installing a new sub-station.
- 2.2 The Council then secured funding in the next funding round PSDS 3b with the delivery of the Project planned over two financial years April 2023 – March 2025. In January 2023, Executive considered an option appraisal and agreed in principle to proceed with a scheme

to install air source heat pumps and rooftop solar PV. In February 2023, via a Delegated Decision, the Chief Executive agreed to proceed with commissioning an Investment Grade Proposal (IGP). Contractors Kier were appointed, via the Scape Framework, on a 'Design and Build' basis to undertake the detailed design and costing that would form the IGP, with a view to entering into contract with them for the build phase, if the scheme was approved by Full Council. At that stage, the feasibility study set out a total capital cost estimated as £2.698M, with £1.607M grant funding and the remaining £1.091M needing to be funded by the Council. The Council's capital contribution was not agreed at that stage as the decision to proceed with any investment would be based on affordability of a fully designed and costed scheme.

- 2.3 Due to grid constraints, the scheme was revised early in 2024 and the upgrade in supply needed was agreed by the Distribution Network Operator (DNO) Scottish and Southern Electricity Network (SSEN). However, the quotations obtained by Kier for each element of the build were far higher than originally estimated. The capital cost of the scheme was estimated as £4.6M, which meant the Council would have to fund in excess of £3.3M and would not fully recover its investment in the scheme through a reduction in utility costs. The modelled revenue reduction would be £142,000/year. However, the annual capital finance costs would be £271,803. This means the net loss to the Council from its capital investment and the cost of borrowing equated to £129,356 every year. Based on this ongoing revenue burden the scheme was deemed unaffordable and the project was paused.
- 2.4 Prior to this, the Council had instructed SSEN to proceed with the supply upgrade and were informed by Salix this was an eligible expense, which could be funded from the allocated PSDS 3b funding. Salix were aware at the time that there was an Executive decision pending, on the affordability of the scheme. When Executive took the decision in April 2024 to pause the scheme, Salix were notified and advised officers that the order with SSEN should be cancelled and any costs which could be reclaimed should then be repaid to Salix. Cancelling this order means that the relatively small amount of additional supply available in the area could be obtained by someone else, which would then mean the PSDS scheme at the leisure centre would not be feasible until at least 2030 when a larger grid infrastructure upgrade is planned in the area. However, there was too much financial risk associated with this for the Council to bear the cost as there is so much uncertainty that the full decarbonisation scheme would be affordable.
- 2.5 Whilst any funding that can be reclaimed from SSEN must be repaid to Salix, no other costs incurred by the Council in the preparation of the scheme have to be repaid.
- 2.6 The next round of PSDS funding should be launched in early autumn, unless the new Government make any changes.

3. ALTERNATIVE OPTIONS

- 3.1 The Council could apply for PSDS 4a funding but this is not recommended as no affordable option for delivery of the decarbonisation project has been identified.

4. CONCLUSIONS

- 4.1 The Council is firmly committed to the decarbonisation of its buildings and its currently focussed on a programme of decarbonisation of its leisure centres. However, no amendment to design or alternative funding has been identified which would offer an affordable solution for the installation of air source heat pumps and solar PV at Carterton Leisure Centre.
- 4.2 As an alternative the Council could explore installation of solar PV with battery storage only. The Council has embarked on a project to install solar PV on buildings it occupies and commercial buildings it leases to reduce its own carbon footprint and provide green energy to its tenants. The installation of solar PV for Carterton Leisure Centre should provide a viable business case even without grant funding being available. It is therefore proposed that this is fully explored and costed, with a business case being brought back to Executive.
- 4.3 If the Government launch a new funding regime which offers a viable and affordable opportunity for the Council to decarbonise Carterton Leisure Centre, then the Council will proceed with an application to support the installation of heat pumps and any other eligible measures.

5. FINANCIAL IMPLICATIONS

- 5.1 There is some uncertainty regarding the terms of the next funding round and there is also potential for the scheme to be amended, ceased or replaced under the new Government. Based on current information, the maximum PSDS 4a grant is likely to be around £2m. This will be dependent on the site life, updated costs, for example like-for-like replacement of the boilers, and any changes in building energy use over the last couple of years (as the amount of displaced gas is what determines the grant amount). The Council's Leisure Provider, GLL has made a number of energy efficiency improvements to Carterton Leisure Centre which will have reduced gas consumption. Whilst this is great news, it is likely to reduce the overall amount of grant the Council can access. Officers best estimate is that the maximum funding available would be in the region of £1.5M.
- 5.2 Due to delays by Kier in issuing the tender packages, bidders had limited time to submit quotes. These quotes will no longer stand as contractors will normally only hold their prices for a maximum of 3 months. Whilst retendering and offering bidders a longer period to tender may attract some more competitive prices, any benefits achieved are likely to be cancelled out by increasing inflation which will see costs increase. It is therefore considered unlikely that the Council will receive a lower overall cost estimate for the scheme. It is considered more likely that overall costs will increase.
- 5.3 Kier have provided a fee estimate of just under £42,000 to revisit the current IGP, seeking updated proposals from their supply chain and managing the resubmission of a new IGP. It should be noted that with continuing inflationary increase the capital cost of the scheme will have increased since the estimates were obtained in December 2023. There are limited ways in which the scheme can be amended to reduce capital costs. One option would be to remove the solar PV and battery storage; however, this has been discounted. This would

save an estimated £837,000 in capital costs, however this would significantly increase the ongoing revenue costs for the electricity needed for the heat pumps. The scheme is only viable if revenue cost savings are generated which are higher than the cost of borrowing to fund the initial scheme. The solar PV was added as the original design did not include maximised on-site electricity generation and was not viable as it did not reduce the ongoing revenue costs of powering the leisure centre.

- 5.4 The table below compares the business case compiled in April 2024 with a best-case estimate for delivery in 2025. This assumes no capital build cost increases. The amount of WODC funding has decreased as the IGP has already been funded from the previous PSDS 3b scheme and the grant funding could be around £1.5M which is higher than the amount the Council could access if it had continued in April 2024.

Summary of costs – considered best case scenario

Cost	April 2024 Business case	Estimated business case 2025 delivery
IGP costs Note: Bulk of IGP costs already paid from PSDS 3b	£0.3M	£0.04M
Total build cost including contingency (10%)	£4.3M	£4.3M
Grant funding (estimate)	-£1.3M	-£1.5M
WODC funding required	£3.3M	£2.84M
Annual revenue cost of capital	£262,602	£227,081
Average Annual Energy cost saving	-£142,447	-£142,447
Additional revenue cost (annual for 25 years)	£120,155	£84,634

6. LEGAL IMPLICATIONS

- 6.1 The Council is in contract with GLL for the provision of leisure management and services. Any changes affecting that contract, such as a change in heating system must be agreed by GLL. Contractual changes would usually be set out and agreed formally via a contract variation.

7. RISK ASSESSMENT

- 7.1 The capital costs and calculated revenue return are not guaranteed so costs could increase.
- 7.2 If the Council decides to apply for the next round of PSDS funding it may not be successful in its application, particularly if Salix seek confirmation at the application stage that the Council can meet the funding gap.
- 7.3 Proceeding with a grant application, when the Council does not have an affordable scheme, risks wasting staff and Member time and damaging the Council's reputation with Salix.

8. EQUALITIES IMPACT

- 8.1 There are no equalities impacts resulting from this report.

9. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 9.1 The proposed decarbonisation scheme would save an estimated 61 tCO₂e/year, which is a reduction of 15%. Installation of solar PV and battery storage only would save in the region of 49 tCO₂/yr (this figure includes current solar PV).
- 9.2 The proposed solar PV installation will form part of a Strategy to decarbonise all the Councils buildings. Solar PV is currently being planned for a number of the Councils buildings which are leased to tenants enabling them to buy green electricity. Broader decarbonisation of buildings with a particular focus on leisure buildings is also being driven forward.

10. BACKGROUND PAPERS

None

(END)

