

Weald Leisure Centre Decarbonisation Works

For CABINET on 27 October 2022

Summary

Lead Member: Councillor Luke Everitt – Cabinet Member for Environment, Sustainability and Carbon Reduction

Lead Director: Lee Colyer, Director of Finance, Policy & Development (S151 Officer)

Head of Service: David Candlin, Head of Economic Development & Property

Report Author: Tim Stevens, Property Manager

Classification: Part Exempt

Exempt Appendix A exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended): Information relating to the financial or business affairs of any particular person including the authority holding that information.

Wards Affected: Benenden & Cranbrook

Approval Timetable	Date
Management Board	21 September 2022
Portfolio Holder	4 October 2022
Finance & Governance CAB	11 October 2022
Cabinet	27 October 2022

Recommendations

Officer / Committee recommendations as supported by the Portfolio Holder:

1. Cabinet to confirm the preferred option for the Weald Leisure centre Decarbonisation project.
2. Cabinet to delegate to the s151 Officer and the Monitoring Officer in consultation with the Cabinet Member for Finance & Performance completion of all necessary formalities and to identify the source of any additional funding.

3. That the interim Head of Mid Kent Legal Services be authorised to complete all necessary legal documentation and formalities to give effect to these recommendations.

1. Introduction and Background

- 1.1 The Council declared a “climate and biodiversity emergency” at Full Council in July 2019, subsequently creating the Climate Emergency Advisory Panel (CEAP) as an advisory body to Cabinet, to direct the work on the climate emergency and support the delivery of the Council’s ambition to make our own operations and services carbon neutral by 2030.
- 1.2 The Council was successful in bidding for carbon reduction works at both the Weald Leisure Centre and North Farm Depot. At Weald Leisure Centre and North Farm Depot four elements of work are anticipated including installing Air Source Heat Pumps (ASHP) to replace boilers, LED lighting replacement, solar panel installation and Building Management System. The anticipated benefits of both schemes are set out in Appendix A.
- 1.3 The two successful single year bids, confirmed in April 2022, were to SALIX Finance Funding from the Public Sector Decarbonisation Scheme (PSDS) and are conditional on SALIX works being completed by 31 March 2023. The grant is based on carbon saved and cannot be increased.
- 1.4 As background, SALIX Finance is a non-departmental public body owned wholly by the Government. They provide Government funding to the public sector to improve energy efficiency, reduce carbon emissions and lower energy bills. SALIX is funded by the Department for Business, Energy and Industrial Strategy, the Department for Education, the Welsh Government and the Scottish Government.
- 1.5 The North Farm Depot project is progressing as planned. However, the decarbonisation works at Weald Leisure Centre project have encountered a significant financial implication.

2. Weald Leisure Centre

- 2.1 The bid for the Weald Leisure Centre was to install Air Source Heat Pumps (ASHP) to replace boilers, LED lighting replacement, solar panel installation and a Building Management System with the Council securing £1.177m investment in reducing the carbon use at the asset. The Weald Leisure Centre contributes 12% of the Councils total carbon use and is the third largest carbon contributor in our estate. The decarbonisation benefits are outlined in Appendix A which would have reduced the Weald Leisure Centre carbon use to approximately 5% of the overall Council carbon use.

- 2.2 In bidding for the decarbonisation (SALIX) works at the Weald Leisure Centre the main risks identified were –
- Delays and costs in distribution network operator (DNO) approval for connection upgrades (noted in CEAP reports)
 - Delays in obtaining required planning permissions
 - Delays in obtaining project approvals
 - Delays in equipment lead and installation time
- 2.3 The distribution network operator (DNO) risk has materialised and puts the project in jeopardy. Despite early engagement and meetings on site with UK Power Network (UKPN), our local DNO, we received in early September a provisional estimate from UKPN for our contribution to the necessary upgrade to the infrastructure to achieve required output for the full scheme significantly above advised cost estimates. We were also advised of a provisional programme of 35 weeks which takes us beyond the SALIX completion date of 31 March 2023. Both the timescales and the costs identified are significantly worse than advised at UKPN surgeries and site meetings.
- 2.4 The UKPN approach is complicated by a number of requests for work in the area. These are in a queue which only changes when a quote is taken up. On 4 October we were advised that the potential development at the front of the UKPN queue has placed an order for works. This impacts on our quote, initially making it void, which means we need to submit a new request for a quote. However the development confirming their quote could impact our scheme positively, by increasing capacity which helps others but we have no idea whether this is the case or not and until our new request for a quote is completed no way of finding out.
- 2.5 Initial SALIX advice which painted a bleaker picture has been clarified. Officers challenged the initial advice on the basis that the network capacity is beyond our control and that it was raised as a major risk at bid stage prior to grant award. Officers also raised a number of queries on other potential scenarios with SALIX.
- 2.6 The clarified advice is that the project does not have to be fully complete by 31 March 2023, it is just that the SALIX grant can only be spent on works that have completed on-site up to the 31 March 2023. The Council would be able to complete the project later than this, but any works happening on-site after the grant period ends would have to be paid for by the Council.
- 2.7 There are two slight exceptions to this rule regarding equipment costs and the DNO costs. SALIX recognise that some equipment (heat pumps) have very long lead times and so long as the equipment is ordered within the grant period and the Council can provide proof of ownership (ideally invoices but vesting certificates if not) SALIX will allow the spend of grant on the cost of the equipment itself. However, if the equipment was not delivered to site until 1 April 2023 or later, the Council would then have to cover the installation costs.
- 2.8 The second exception is that similarly, DNOs often have long lead times to complete any upgrade works, particularly for upgrading from a low voltage

power supply to a high voltage power supply as usually a new substation will be required. Because of this, so long as DNO costs are paid for within the grant period (before 31 March 2023) then the grant can cover these costs. To be clear the DNO upgrade works do not have to take place by 31 March 2023 the Council would just have to have paid for them within the grant period.

- 2.9 Even with the clarified SALIX guidance the UKPN costs mean that the project is now projected to require an additional budget of up to £490,000 to complete. It should be noted that there is still some risk that the UKPN work will cost more than is currently identified. The costs are outlined in Exempt Appendix A.

3. Options Considered

- 3.1 **Option 1:** Abort project now. This would include completing all the tendering and possibly completing some further design work with a small Council cost – c£10k to £50k – to inform a future funding bid. The SALIX funding will cover the main costs to date. There would be no further work beyond outlined and the future benefits detailed in Appendix A for the Weald Leisure Centre would not be met. In 6 to 7 years the current heating system will reach the end of its lifecycle requiring replacement. At this point the Council if not successful in bids between now and then would need to replace the system anyway and accept the costs of inflation on prices at the time of the works.
- 3.2 **Option 2:** The Council agree to make an additional £490,000 funding available to demonstrate its intention to meet the SALIX requirement that the project is not proceeding at risk. Works will then be taken forward to meet the SALIX March 2023 spending requirement's end date and implementation of wider works and, although the funding would be paid to UKPN within the project window, it would be completed post SALIX timescales to a timescale currently not confirmed.
- 3.3 **Option 3:** Continue at risk without allocating additional funding on the proposed scheme. SALIX requirements would not be met and it is likely that funding would be withdrawn. The Council would be required to meet all project costs requiring an additional £1.7m of budget.
- 3.4 **Option 4:** Continue at risk without allocating additional funding awaiting a revised UKPN quote which is expected to be received in November, then review. It is likely that additional SALIX funding would be lost due to programme issues which The Council would need to cover financially in completing the proposed scheme.

4. Preferred Option and Reason

- 4.1 Members are requested to consider the options and confirm the preferred option.

5. Consultation on Options

- 5.1 The proposed works are to improve the infrastructure and meet our carbon neutral commitments. There has not been wide consultation on the options. However, the cabinet members have been consulted.
- 5.2 Recommendation from Cabinet Advisory Board
- 5.3 The Finance and Governance Cabinet Advisory Board were consulted on 11 October. The Cabinet Advisory Board agreed with the recommendations and preferred Option 2 as outlined in the report.

6. Implementation

- 6.1 Cabinet are requested to select the preferred option which will then be put in place. Dates of implementation depend on whether a waiver from the Chairman of Overview and Scrutiny has been secured.

7. Appendices and Background Documents

Appendices:

- Appendix A: SALIX Scheme Benefits
- Exempt Appendix A: Weald Leisure Centre Cost Implications

Background papers:

None

8. Cross Cutting Issues

A. Legal (including the Human Rights Act)

The Local Government Act 1972, section 111(1) empowers a local authority to do anything (whether involving the expenditure, borrowing, or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.

The Council also has a general power of competence pursuant to Section 1 of the Localism Act 2011 which enables it to do anything that individuals generally may do.

Acting on the recommendations specified in this Report is within the Council's statutory powers as set out above.

The proposal to delegate authority to the S151 Officer is in accordance with a decision that Cabinet can make, taking into account the contents of this report to protect the Council's financial and commercial interests.

Any necessary procurement actions must be considered in line with the Constitution and the Public Contract Regulations 2015.

Team Leader, Contracts and Commissioning, MKLS

B. Finance and Other Resources

The significant increase and volatility of wholesale gas prices is likely to continue to place a strain on the Council finances whilst the level of gas usage at the Weald Leisure Centre is relatively fixed. In addition the current boilers have a limited lifespan and works will be required in six or seven years.

The Climate Emergency motion agreed by Full Council included 'lobbying central Government to provide additional resources and to grant necessary freedoms to deliver the motion'. Direction from central government is limited. Continuing to lobby Government will be key to effect change. The Council has been working with the local MPs to engage and lobby BEIS and UKPN to address the issues being encountered by the Council, and other District Councils, in implementing decarbonisation schemes and to avoid losing the small amounts of grant funding via the PSDS that have been awarded to date.

If the council is not able to reduce its carbon emissions then it will be required to purchase expensive carbon offsetting products on the open market.

There is a risk that the cost of undertaking these works will exceed the approved budget and delegations are being sought to effectively manage this. The Council has agreed to dispose of surplus assets, the proceeds from which can be made available to reinvest into schemes such as this to make the remaining assets more environmentally sustainable.

Lee Colyer, Director of Finance, Policy and Development (s151 Officer)

C. Staffing

The project is currently being delivered within existing resources.

Report Author

D. Risk Management

The Council adopted the motion to aim to achieve a carbon neutral target, for its own estate and operation, by 2030 in addition to supporting its communities in working towards achieving a borough wide carbon neutral target by 2030. The main risks are

outlined in the report and were highlighted with CEAP. The report is seeking to address the risk that has materialised. All avenues have been explored to address the risk related to the DNO cost and timescale within existing budget allocations however the next steps require a Cabinet decision as they impact significantly either on budget and/or on Council priority.

Report Author

E. Environment (inc. Biodiversity) and Sustainability

The project if delivered positively impacts on the environment and biodiversity by reducing the Council's own carbon emissions which will lead to environmental benefits. If not delivered the Weald Leisure Centre will continue to use carbon resources as outlined in Appendix A. As the Weald Leisure Centre contributes 12% of the total carbon use by the Council the lack of reduction will seriously impact the Council's ability to meet make our own operations and services carbon neutral by 2030.

Report Author

F. Community Safety

There are no identified impacts on community safety.

Report Author

G. Equalities

The report focuses on the infrastructure improvements on the Council's estate, own carbon emissions and opportunities to reduce these in line with its ambition to be carbon neutral by 2030. There are no impacts on equality issues.

Report Author

H. Data Protection

There are no direct impacts on data subjects as it does not involve the collation storage etc. of data subjects.

Report Author

I. Health and Safety

There are no direct impacts on health and safety.

Report Author

J. Health and Wellbeing

This report focuses on the Council's carbon emissions and the need to reduce these to achieve the carbon neutral target by 2030. There are no direct impacts on the health and wellbeing on residents. Climate change and ensuring sustainable living, reducing carbon emissions has a positive impact on health and wellbeing.

Report Author