



OPEN REPORT GOVERNANCE AND RESOURCES COMMITTEE

Governance and Resources Committee – 8th March 2023

Decarbonisation of the Arc Leisure Centre (Matlock) and Wirksworth Leisure Centre

Report of the Chief Executive

Report Author and Contact Details

Jo Hill, Climate Change Project Officer
joanna.hill@derbyshiredales.gov.uk
01629 761243

Wards Affected

Darley Dale
Matlock All Saints
Wirksworth

Report Summary

To gain agreement for the acceptance of a grant offer from the Public Sector Decarbonisation Scheme (PSDS) phase 3b of £1.9m in order to decarbonise the Arc Matlock and Wirksworth Leisure Centre

Recommendations

1. That the grant offer set out in this report be accepted.
2. That Council be requested to approve an addition to the capital programme for 2024/25 in the sum of £2,189,500 for 'PSDS3b Decarbonisation at Arc Leisure Centre Matlock and Wirksworth Leisure Centre', to be financed by a grant of £1,925,500 and a 'like for like' contribution of £264,000, the latter being financed from the capital receipts reserve.

List of Appendices

None

Background Papers

None

Consideration of report by Council or other committee

None

Council Approval Required

Yes

Exempt from Press or Public

No

Decarbonisation of the Arc Leisure Centre (Matlock) and Wirksworth Leisure Centre

1. Background

- 1.1 The PSDS provides grants for public sector bodies to fund heat decarbonisation and energy efficiency measures, putting the public sector at the forefront of decarbonising buildings in the UK and in a leadership role to create exemplar projects in our communities that pave the way to help the UK meet its Carbon Budgets and Net Zero commitments. It is aimed at taking a 'whole building' approach to heat decarbonisation, combining heat decarbonisation with energy efficiency measures. Most of the buildings in the public sector still rely on fossil fuel-based heating and, as these heating systems approach the end of their working lives, it is an ideal opportunity to transition those systems to low carbon heating.
- 1.2 Reflecting the importance of the public sector's role in meeting the government's commitment to net zero by 2050, the Net Zero Strategy and Heat and Buildings Strategy confirmed that Phase 3 of the PSDS would comprise of £1.425 billion of funding over the period 2022/2023 to 2024/2025.
- 1.3 The approved Climate Change Strategy and Action Plan set out a pathway to reducing emissions from Council operations in order to achieve net zero by 2030. This included energy efficiency projects at key sites, electrification of heating and installation of roof mounted solar PV panels to reduce electricity consumption.
- 1.4 Emissions from leisure centres were not included in the Council's estimated baseline carbon footprint in 2019-20 due to their outsourced management arrangement. However, the strategy and action plan recommended that their emissions were addressed in addition to the emissions that the Council is directly responsible for. As such, an emissions report for 2021-22 was produced. This estimated the emissions from the leisure centres in Ashbourne, Bakewell, Matlock and Wirksworth as 995t CO₂e. For context, the rest of the Council's estate and operations generated 605t CO₂e in total in the same year. It is therefore clear that emissions from the leisure centres are significant.
- 1.5 The PSDS grants are available through a competitive process administered by Salix on behalf of BEIS (now ESNZ – Department of Energy Security and Net Zero). The Council has previously been successful in being awarded Phase 1 funding (£734k – Ashbourne Leisure Centre) and Phase 3a funding (£562k – Town Hall and ABC). The Phase 1 project is nearing completion and the Phase 3a project is just about to start delivery, due to complete by end July 2023.
- 1.6 In addition to PSDS, the government also offers funding for the necessary technical studies and design work required before installations can begin – Low Carbon Skills funding (LCSF). Again, this funding is competitive.
- 1.7 The Council was successfully awarded phase 3 LCSF in July 2022 to produce heat decarbonisation plans (HDPs) for the Arc, Wirksworth Leisure

Centre and a less detailed study of Bakewell Leisure Centre. The value of this grant was £120,555. The resulting HDPs will be available in late March.

- 1.8 The HDPs are effectively the pre work which should ensure the delivery phase of the capital PSDS projects can begin on time and not encounter unexpected costs or challenges. It would therefore have been of significant value to have these plans completed before the next round of the funding became available. However, the Phase 3b PSDS application portal opened for applications on 13th October 2022.
- 1.9 As in previous rounds applications were assessed in the order in which they were received and so the Council submitted a bid on the same day. The details of the proposed works are set out below. The total project value is £2,189,500 which includes 5% contingency.
- 1.10 It should be noted at this stage that the total project value is pre procurement, based on budgetary figures and is subject to increase following detailed designs and costs. At this stage it would be prudent to anticipate at least a 5% inflationary increase in costs given that orders will not be placed until April 2024. While every effort will be made to minimise and manage any increases, the terms of the grant are such that covering any increase is the responsibility of the Council. No additional funding will be provided from Salix.
- 1.11 Project scope
 - Arc Matlock –
 - Removal of 3 x current gas boilers
 - Replacement with 3 x heat pumps – these will replace the boilers as the secondary heat source after the combined heat and power plant (CHP) provides baseload
 - Replacement of direct fired gas ambirads in the sports hall with 10 x electric equivalents
 - Installation of 100kWp solar PV system (281 panels on sports hall roof) to mitigate against increased electricity use
 - Wirksworth Leisure Centre –
 - Removal of current gas boiler
 - Replacement with 2 x heat pumps
 - Installation of 36kWp solar PV system (87 panels) to mitigate against increased electricity use
- 1.12 The installation of the above measures is predicted to save 303tCO₂e/year across both sites.
- 1.13 The net revenue benefit at the Arc is expected to be £57,846 and £13,545 at Wirksworth. A total of £71,390. This is based on current utility rates and is subject to change as the benefit will not be felt until 2025/26
- 1.14 Following a technical assessment and two delivery interviews with Salix, the Council received a Grant Offer Letter for the amount of £1,925,500 on 2nd February 2023. This was the total amount requested in compliance with the grant criteria – see 2.3

2. Key Issues

- 2.1 The priority for phase 3 of the PSDS is to provide funding for decarbonisation projects where the heating systems are at the end of their working lives and there is imminent need for replacement.
- 2.2 The heating system at Wirksworth Leisure Centre is 15 years old – see images below. The system at the Arc is 13 years old.
- 2.3 As a minimum all applicants are required to contribute the “like-for-like” costs of the project themselves in addition to any PSDS grant funding provided. The like-for-like cost is defined as all the costs incurred should the existing heating system be replaced with a typical fossil fuel heating system of the same type and size. In most cases this will be equivalent to the costs of replacing the system with a conventional fossil fuel boiler or boilers. Applicant contributions must be a minimum of 12% of total project value – in the case of this project £264k.



Images showing existing boiler and sports hall heating at Wirksworth Leisure Centre

- 2.4 At the time of application the Council discussed the proposals with Freedom Leisure. As Freedom are contractually responsible for the maintenance and replacement of the heating system at the leisure centres an ‘in principle’ request was made in early October 2022 prior to the application for the ‘like for like’ contribution. Due to pressures associated with rising energy prices Freedom, while supportive of the principle, could not commit to providing the like for like funding.
- 2.5 The PSDS3b application requested funding to be available in 2024/25 with 2023/24 as a ‘planning year’ with no expenditure. The rationale being:
 - The PSDS3b guidance stated that where applicants request a planning year they would have until 16th June 2023 to secure the necessary like for like funding. Given the response from Freedom it

was determined that more time would be needed to resolve this issue

- The HDPs would not be complete until March 2023 – experience of delivering these projects suggests that a single year to complete all of the detailed design work, procurement, necessary planning consents, legal work as well as installation and commissioning is not realistic. The planning year, using the information contained within the HDPs, gives the opportunity for much of the above to be resolved prior to work starting on site.
- Ongoing requirement for internal project management of the PSDS3a projects which will still be in progress in 2023/24

2.6 Following receipt of the offer, Freedom Leisure were approached informing them of the grant offer and asking them to confirm their position on the like for like funding. They reiterated that the funding was not available due to increasing financial pressures, but noted that they would be happy to work with the authority to deliver the scheme. Freedom asked for further discussion of the net financial impact i.e. changes to running costs likely as gas heating is replaced. This is an important consideration as utility rates used at the point of application may no longer be valid.

3. Options Considered and Recommended Proposal

Options considered

3.1 Decline the grant offer

The Council could decline the grant offer and not undertake the works. The sites would therefore continue to be reliant on fossil fuel heating and emissions would remain the same until such time as existing equipment was replaced. Under the current contractual arrangements responsibility for replacement of the heating system would be undertaken by Freedom who are under no obligation to decarbonise the sites.

Recommended proposal

3.2 Accept the grant offer and provide the 'like to like' funding from capital reserves

The Council takes advantage of the opportunity presented and accepts the offer ensuring that the necessary funding is available in the capital programme for 2024/25.

In accordance with the principles of the Council's climate emergency declaration and subsequent strategy and action plan, Wirksworth Leisure Centre would become fossil fuel free, reliant on electricity for all of its ongoing energy demands. Emissions would be predicted to fall by around 60%.

At the Arc the new system has been future proofed so that when the existing CHP reaches end of life in the next 2-5 years a further heat pump module can be easily added to remove the remaining gas load, effectively enabling

the site to also become fossil fuel free. In the interim emissions would reduce by around 40%

Both sites would benefit from significant capital investment in their heating systems which would be difficult to secure elsewhere, reducing likely ongoing maintenance requirements and ensuring their longevity.

4. Consultation

- 4.1 Freedom Leisure have been involved in the HDP process to evaluate the sites, working alongside the Council and the consultant. They have been kept informed of the PSDS3b application and outcome.

5. Timetable for Implementation

- 5.1 Project to begin in April 2024, to complete by March 2025

6. Policy Implications

- 6.1 The project aligns with the aims of the Corporate Plan 2020-24 (Place) and the Climate Change Strategy and Action Plan.

7. Financial and Resource Implications

- 7.1 This project for 'PSDS3b Decarbonisation' at Arc Leisure Centre Matlock and Wirksworth Leisure Centre is estimated to cost £2,189,500, including a 5% contingency at this stage. It will qualify as capital expenditure and will require Council approval to be added to the capital programme for 2024/25. Financing is available in the form of a grant of £1,925,500 and a 'like for like' contribution of £264,000, the latter being financed from the capital receipts reserve.

- 7.2 As stated in the report, the net revenue benefit (i.e. saving in energy costs) is expected to be £57,846 at Arc Leisure Matlock and £13,545 at Wirksworth leisure Centre, totalling £71,390. This is based on current utility rates and is subject to change as the benefit will not be felt until 2025/26. Given that the Council will provide the 'like for like contribution', officers will have a discussion with Freedom Leisure regarding a contractual change to transfer these savings to the District Council. Any such saving accruing to the Council from 2025/26 will be built into the Medium Term Financial Plan.

- 7.3 The financial risk is assessed as Medium.

8. Legal Advice and Implications

- 8.1 This relates to a grant offer from the Public Sector Decarbonisation Scheme (PSDS) phase 3b of £1.9m in order to decarbonise the Arc Matlock and Wirksworth Leisure Centre

- 8.2 There are 2 recommended decisions to be made within this report, at the current time the legal risk associated with these recommendations has been assessed as low.

9. Equalities Implications

9.1 There are no equality implications for this proposal.

10. Climate Change Implications

10.1 As set out in 1.4, 1.12 and 3.2 delivery of the project would make a significant positive contribution to emissions reductions.

11. Risk Management

11.1 This project comes with a number of risks that are not possible to fully quantify at this early stage. As the report makes clear there are financial risks associated with partially funding a project for which our partner organisation is theoretically responsible, along with risks associated with contingencies and inflation. These risks are mitigated through building in a planning year, such that 2023/24 will be used to fully quantify the level of exposure prior to the project starting in earnest in 2024/25. At this stage the recommendation is simply to accept the grant offer, which does not commit the Council to expenditure. If approved further developments in this project will be reported through Committee for decision making.

11.2 If the recommendation to accept the grant is not approved, there is a minor reputational risk associated with declining the offer.

Report Authorisation

Approvals obtained from:-

	Named Officer	Date
Chief Executive	Paul Wilson	27/02/2023
Director of Resources/ S.151 Officer (or Financial Services Manager)	Karen Henriksen	27/02/2023
Monitoring Officer (or Legal Services Manager)	Kerry France	28/02/2023