

TITLE OF REPORT: Swimming Pool Energy Projects**REPORT OF: Anneliese Hutchinson – Interim Strategic Director Economy, Innovation and Growth**

Purpose of the Report

1. To agree 1.3m capital expenditure from existing grants already secured to place advance orders of heat pumps, complete minewater testing, and instruct LED lighting works, at Dunston Leisure Centre and Blaydon Leisure and Primary Care Centre

Background

2. In early 2024, the Council was successful in bidding for £4.1m Public Sector Decarbonisation Scheme grant to install heat pumps at Dunston, Blaydon swimming pools. Also, £0.356m Sport England grant (100% funding) was secured towards Solar PV and LED Lighting for Dunston Leisure Centre
3. The grant had some significant terms associated, the most significant being that the Council remains liable for grant clawback should Dunston Leisure Centre not remain operational for 15 years.

The Council cannot be sure the site will remain operational for 15 years and some risk remains. On balance, it was felt the grant investment will improve the viability of the site, and its low carbon credentials, and with risks being managed, the Council took an Urgent Decision to accept the grant, to meet the acceptance deadlines imposed by Sport England.

4. In April 2024, Cabinet agreed to enter contracts up to £0.475m to progress further designs and pre-construction surveys, to inform full scheme scope and costs.

Proposal

5. The proposal is to agree additional capital expenditure from grants already awarded to the Council on the following key items:
 - a. £0.16m for further minewater borehole drilling / testing,
 - b. £0.4m for advance orders of the air source heat pump for Dunston
 - c. £0.54m for advance orders of the minewater heat pump for Blaydon
 - d. Instruct Construction Services to install LED lighting at Dunston and Blaydon, at cost of ca. £0.2m.

6. The proposal is being considered now to maintain programme and grant drawdown, which is considered against the other project risks listed in Appendix 1.

Recommendations

7. It is recommended that:
 - (i) Approval is given to commit £1.3m of secured capital grants to further energy equipment and works at Dunston Leisure Centre and Blaydon Leisure and Primary Care Centre.
 - (ii) Approval is given to delegate the final decision to instruct works and orders to the Interim Strategic Director of Economy, Innovation and Growth, in consultation with the Strategic Director, Resources and Digital, considering the appropriate reduction in project risks listed in Appendix 1

For the following reason(s):

- (i) To support the viability of leisure centres within the borough, to continue to provide health benefits to the community
- (ii) To reduce carbon emissions of Council buildings to support the Council's Climate Emergency Action Plan

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Policy Context

1. The proposals here continue to contribute to the delivery of many targets within the Corporate Plan, Thrive, Health and Wellbeing Strategy and the Council's Climate Emergency Action Plan. specifically:
 - a. Providing lower carbon heat to two leisure centres, as the two largest gas users in the Council portfolio
 - b. Supporting the ongoing viability of two leisure centres, to support their contribution to community health benefits
 - c. Securing significant grants to lower the cost to the Council of decarbonising Council buildings.

Background

2. In early 2024, the Council was successful in bidding for
 - a. £4.1m Public Sector Decarbonisation Scheme grant for a £4.75m scheme to install heat pumps at Dunston, Blaydon and Birtley Swimming Pools.
 - b. £0.356m Sport England grant (100% funding) towards Solar PV and LED Lighting for Dunston Leisure Centre
2. The new Birtley Aquatics group were not able to accept their element of the PSDS grant funding
3. On 16 April 2024, Cabinet agreed to accept the grant funding and commence scheme design stage for Dunston and Blaydon sites, committing up to £0.475m and approving the appointment of Equans Ltd to progress design stages.
4. Progress has been as follows:
 - a. RIBA Stage 3 designs nearing completion. Heat pump size, type and efficiency determined for both sites
 - i. Dunston – Air Source Heat Pump, with propane as refrigerant
 - ii. Blaydon – Minewater Heat Pump, with propane as refrigerant
 - iii. Both sites will also have a smaller CO2 heat pump, for delivering hot water at higher temps, but same efficiency
 - b. To prove minewater source at Blaydon, permits to drill exploratory minewater borehole at Blaydon now granted by Environment Agency and Coal Authority
 - c. Variation added to contract to instruct Phase 1 of exploratory borehole works at Blaydon –

- i. Phase 1 (exploration) at £0.125m instructed, and started on site 2 September, to complete end September – this will confirm presence of minewater.
- d. Designs completed on LED upgrades at both sites.

Proposal and/or Issues for consideration

5. The proposal is to agree additional capital expenditure from the grants already secured on the following key items, noting the risk of each commitment:
 - a. If minewater is found, a further cost of £0.16m is required to instruct Phase 2 of drilling immediately, to confirm temperature and water chemistry of minewater (needed for end October 24 to inform operational permits). Low risk – only instructed if minewater is found from drilling to date.
 - b. By end September, place advance orders of
 - i. the air source heat pump for Dunston (£0.4m) - low risk, given few constraints with regards planning and deliverability
 - ii. the minewater heat pump for Blaydon (£0.54m) - medium risk, given full permits will not be secured, but decision will assess risk before instructing.
 - iii. These are required to maintain grant spend programme,
 - c. Instruct Construction Services to install
 - i. LED lighting at Dunston (£0.1m) - low risk, funded by Sport England, and
 - ii. LED lighting at Blaydon, at cost of ca. £0.1m - medium risk, requiring approval by funder
 - iii. Both lighting scheme will be completed ahead of end Dec 2024.
6. In addition, further progress will continue, already funded under the existing design contract.
 - a. Planning applications for both schemes would be submitted by 1 October to achieve approval by January 2025 for proposed start on site
 - b. Stage 4 designs and cost plans would complete by December 2024, when Cabinet would take the final decision to progress to construction or not.
7. These decisions are being proposed now, to maintain the programme of spend against a profile set by the funder. If the Council delayed this decision until all risks were resolved, the programme would slip by circa 3 months, and risk losing circa £1m of funding, which would make the project unviable.

Financial Implications

8. The proposal would commit the Council to a further £1.3m of capital spend, from the £4.1m grant already secured. No expenditure of the Council's match funding is required until 2025/26 in year two of the project. There remains the risk that this expenditure is ahead of closing out all project risks (see risk management section below, for how risks are mitigated).
9. The original and current business case for the project is updated below. While the scheme cost has increase marginally (and the Council's 12% capital contribution – up from £0.395m to £0.426m) savings have also increased, to the return on investment remains similar. (Note – the total savings are forecast to increase, when government policy commitments around rebalancing gas and power tariffs are implemented, hence two forecasts are shown).
10. Projects still reduce carbon emission significantly, as these sites remain the two largest remaining gas users on the Council's portfolio.

Summary - original	Business as usual cost increases	PSDS3c scheme - Apr2024	PSDS scheme - Sept24
Council match funding, £	£0	£395,460	£426,000
Finance cost (10yrs)		£57,342	£61,770
<i>Current tariffs</i>			
Operating cost change, £/yr	£14,674	-£35,215	-£49,513
Net Cost, £/yr	£14,674	£22,127	£12,257
<i>Rebalanced tariffs</i>			
Operating cost change, £/yr	-£430	-£99,162	-£112,788
Net Cost, £/yr	-£430	-£41,820	-£51,018
Carbon savings, tonnes/yr	-62	-749	-719

Alternative Options

10. **To defer further expenditure:** This would delay the programme, and grant drawdown by ca. 3 months, putting ca. £1m of grant funding at risk of not being carried forward to 2025/26, and therefore this option has been rejected.

Consultation

11. The Environment and Transport portfolio and Culture, Sport and Tourism Portfolio have been consulted on these proposals and supported recommendation to Cabinet.

Implications of Recommended Option

12. Resources:

- a) **Financial Implications** – The Strategic Director, Resources and Digital confirms that £1.3m of grant funding can be allocated from the energy grants already awarded to the Council and included within the capital programme. The overall Council contribution of £0.426m remains affordable from the revenue savings forecast which will offset any additional capital financing costs.
- b) **Human Resources Implications** – the project will be managed by staff in Energy and Design Services, and elements managed and deliver by Minor Works and Design, and Construction Services.
- c) **Property Implications** - The scheme will provide low carbon heating systems for two leisure centres, which are the current largest gas users in the Council's portfolio

13. **Risk Management Implication** – There are a number of risks in committing the additional expenditure at this point in time, listed as follows with the mitigations shown.

Risk	Mitigation
Minewater temperature and chemistry do not allow discharge permits to Shibdon pond.	We have confirmed minewater temp / chemistry from a nearby mineshaft as a proxy. Coal Authority advisors indicate borehole should be similar over time, once purged, which should allow discharge permits The Coal Authority advise other discharge options – these may cost more, but grant has contingency at present.
Planning application not granted for Air Source Heat Pump	Low risk, as impacts are limited to noise, which is manageable with location and shrouding. Pre-app process will confirm this prior to ordering.
Planning does not approve minewater Heat Pump	Pre-app process is ongoing, impacts limited to borehole location and impact of Shibdon Pond ecology. Consultees fully engaged already.
Permission required from NHS at Blaydon to modify plant room	Council has authority to replace heat plant, and recharge NHS under current site agreement. Council does need NHS permission to modify plant room building (which is under NHS responsibility). Estates Manager engaged, they accept obligation to pay for new heating systems, and other discussion / agreement ongoing.
Funder approval is required to change scope / spend of project	Funder is aware of proposed changes (minewater source, LED additions). Ready to receive change request in early October. Project remains compliant under revised scope.
That energy projects progress, but no viable leisure operator is found	Tender process is progressing well with bidders in final stages. All are fully aware of energy projects and associated grant terms and conditions, and Council expect a viable bidder to be found, to commence April 2025 and any

	performance or monitoring requirements required will form part of the final contract.
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14. Equality and Diversity Implications - None

15. Crime and Disorder Implications – None

16. Health Implications - supporting ongoing viability of two major leisure centres, which provide health benefits to the wider community

17. Climate Emergency and Sustainability Implications - The project will reduce gas emissions from heat by ca. 10%, as the sites currently are the Council's largest gas users.

18. Human Rights Implications - None

19. Ward Implications - the scheme is in Balydon Ward, and Dunston and Teams Ward.

Background Information

20. 16 April 2024 Cabinet – Energy Grants for Swimming Pools