



Tuesday, 9 July 2024

Report of Councillor Rhys Baker,  
Cabinet Member for Environment and  
Waste

## Update on the Grantham Meres Leisure Centre decarbonisation scheme

### Report Author

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### Purpose of Report

This report provides an update on the Grantham Meres Decarbonisation Scheme and seeks approval for the procurement of a contractor to undertake the works.

### Recommendations

**That Cabinet:**

- 1. Notes the updates to progress a decarbonisation scheme at Grantham Meres Leisure Centre**
- 2. Delegates authority to the Deputy Chief Executive in consultation with the Cabinet Member for Environment and Waste, to utilise a Framework in order to direct award to a contractor to supply and install Solar PV at Grantham Meres Leisure Centre.**
- 3. Delegates authority to the Deputy Chief Executive in consultation with the Cabinet Member for Environment and Waste, to utilise a Framework in order to direct award to a contractor to carry out the design and installation of an upgraded low carbon heating system.**

## Decision Information

Is this a Key Decision?	Yes
Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Connecting communities Sustainable South Kesteven
Which wards are impacted?	Grantham Earlesfield

## 1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

### ***Finance and Procurement***

- 1.1 The funding of these works will be met by a combination of awarded external funding and a contribution of £492,500 from the Council's Local Priorities Reserve. Due to the time constraints set by the grant conditions, it is recommended that a direct contract award to a contractor is undertaken as this will ensure the works are undertaken within the specified time frame. Once the energy efficiency measures are put in place, this will reduce the energy costs currently being met by the leisure provider – Leisure SK Ltd. Therefore there is an expectation that any future management fee requests by the leisure provider will reflect their reduction in operating expenditure.

Completed by: Richard Wyles, Deputy Chief Executive and s151 Officer

### ***Procurement***

- 1.2 The Compliant procurement routes for the upgrades at Grantham Meres leisure centre are part of the funding agreements with Salix and with Sport England. Officers have been reviewing framework details alongside Welland Procurement. Frameworks identified for both projects have been confirmed as a compliant route to market and a favourable approach given challenging timescales to progress the projects. Above routes to market are compliant.

Completed by: Helen Baldwin (Procurement Lead)

### ***Legal and Governance***

- 1.3 Cabinet was made aware of the plans surrounding the Council's Public Sector Decarbonisation Scheme application at their meeting of 18 January 2024 and recommended the budget amendment to Full Council to ensure the additional contribution of £492,500 was in place to support the bid should it be successful. A delegation was agreed at the Full Council meeting held on 25 January 2024 to enable the Deputy Chief Executive, in consultation with the Portfolio Holder for Finance to accept the grant funding if the application was successful. The terms of the funding as set out by Salix must be adhered to as part of effective delivery and governance of the project.
- 1.4 Cabinet was also made aware of the successful award of funding through the Swimming Pool Support Fund (Phase II) administered by Sport England on 6<sup>th</sup> February 2024, and agreed to accept the funding to install pool covers and additional solar PV panels at Grantham Meres Leisure Centre.

Completed by: James Welbourn, Democratic Services Manager and Deputy Monitoring Officer

### ***Climate Change***

- 1.5 The allocation of funding to the decarbonisation scheme for Grantham Meres Leisure Centre will allow the Council to significantly reduce the energy consumption and carbon emissions from the site. Once installed, the new low-carbon heating system is projected to reduce the energy consumption of the centre significantly, reducing carbon emissions by over 550 tonnes annually. This is equivalent to a quarter of the total 30% by 2030 reduction the Council has committed to make and will put the leisure centre on the path to being net-zero carbon.

Completed by: Serena Brown, Sustainability and Climate Change Manager

## **2. Background to the Report**

- 2.1 South Kesteven District Council made a formal declaration of a climate emergency on 26 September 2019 with cross party support. Alongside this, the Council confirmed the political ambition to reduce the organisation's carbon footprint by at least 30% by 2030, and to endeavour to become net-zero as soon as viable before 2050.
- 2.2 An analysis of the Council's carbon emissions was conducted in 2020, including the operation of the leisure centres within the district. The carbon emissions arising from the centres were found to account for 41% of the Council's operational carbon emissions, representing the single largest area. This is

principally a result of energy used for heating and hot water, as well as electricity to power the centres.

- 2.3 Grantham Meres Leisure Centre, as the largest centre in the district, has a number of facilities including a 25m pool, learner pool and two leisure pools, alongside a gym facility, exercise studios, sports hall and outdoor facilities including 3G football pitch and outdoor running track.
- 2.4 The Centre also has significant utility costs as a result of energy used on site. Under current tariff rates for gas and electricity, an annual cost of over £770k was reported for the main centre for the 2023/24 financial year.
- 2.5 A detailed energy review of the Council's leisure facilities was undertaken by Leisure Energy on behalf of LeisureSK Limited in July 2023, providing an analysis of on-site energy consumption for each of the three centres operating and recommendations for various energy conservation measures and decarbonisation of heating systems.
- 2.6 To achieve a significant reduction in a centre's carbon emissions, all gas consumption for heating systems will need to be replaced. The predominant technology to facilitate this is heat pumps. Due to the high efficiencies of electric heat pumps, there is a net reduction in energy consumption and carbon emissions. Nevertheless, as the technology is electrically powered and electricity remains around four times more expensive than gas, efforts need to be made to design a new system optimally to reduce running costs as well as maximising carbon savings.
- 2.7 Phase 3 of the Public Sector Decarbonisation Scheme (PSDS), worth £1.425bn, was launched by Salix on behalf of the Department for Energy Security and Net Zero in 2021. Phase 3c has up to £230m available for 2024/25. The focus of the scheme is on making public buildings more comfortable and cheaper to heat, alongside helping to decarbonise the public sector estate.
- 2.8 Eligible properties include those owned by a public sector authority. The focus of the scheme is on clean heat, and all applications must remove the vast majority of fossil fuel heating. Successful grant applicants are expected to provide a minimum funding contribution.
- 2.9 Leisure Energy were commissioned to support the Council in developing a detailed application into PSDS, targeting the Grantham Meres Leisure Centre as the site with highest energy consumption. The focus of the bid is on complete removal of the existing series of gas boilers and Combined Heat and Power (CHP) units, and installation of a new Air Source Heat Pump (ASHP) system with supporting design, infrastructure, and project management.

2.10 Applicants are expected to provide a minimum co-funding contribution of at least 12% or equivalent to the cost of installing a new fossil fuel based heating system. The application developed includes only the measure of the new air source heat pump system and no other energy efficiency upgrades for the site.

Total grant funding request	£3,587,500
Applicant funding contribution	£492,500
<b>TOTAL project value</b>	<b>£4,080,000</b>

2.11 Salix notified South Kesteven District Council on 10 May of their decision to allocate funding to the Council's original proposal for Grantham Meres Leisure Centre.

2.12 The key timescales for the delivery of the project are:

- May 2024 – confirm acceptance of grant funding
- April 2025 – complete detailed technical designs for installation of new low-carbon heating system
- April 2026 – install and commission new low-carbon heating system

2.13 There are a series of conditions which also must be met throughout the project to ensure it is compliant and enable drawdown of grant funding. This includes provision of monthly monitoring reports to Salix on progress, spend and other deliverables.

2.14 In addition to the offer of funding via PSDS phase 3c, an existing allocation for Grantham Meres Leisure Centre via the Swimming Pool Support Fund (Phase II) administered by Sport England was awarded for £445,725 to fund installation of pool covers to both pools in the centre as well as installation of additional solar PV panels on available roofspace on the building. In order to adhere to conditions of the SPSF allocation, all works must be completed and the funding claimed by the 31<sup>st</sup> March 2025.

2.15 In total, the combination of the funding awards from PSDS phase 3c and the Swimming Pool Support Fund (Phase II), as well as the Council's co-funding contribution to the project will represent an investment of over £4.5 million in Grantham Meres Leisure Centre once completed. The key benefits of the upgrades are set to include:

- Energy reductions and utility cost reductions
  - Measures will reduce energy use, generate electricity and cease gas consumption for the main building, helping to mitigate against the sustained high cost of utilities
- Improved comfort for building users
  - Heating infrastructure for the building is end of life and the heat demand for the centre struggles to be met at times of peak demand. The upgrades will help to stabilise the internal

temperature of the building and improve the user experience of the facility.

- Significant carbon reductions
  - Reductions of over 550 tonnes of carbon are expected annually once upgrades to the heating system are completed – equivalent to a quarter of the needed 30% carbon reduction the council has committed to make by 2030. The facility will be on track to become a net-zero building.
- Help to ensure ongoing sustainability of the centre
  - Energy costs have increased significantly since 2021, with an annual cost of over £770k reported for the main centre for the 2023/24 financial year. A well-designed and upgraded system will provide the building with required heat the next two decades and stabilise utility costs for the centre.

2.16 The Council is now exploring procurement routes for both the low-carbon heating system upgrades funded via PSDS 3c, and the solar PV installation funded through SPSF, with the potential for being able to direct award to a chosen, suitable supplier, following an authorised and compliant framework. Officers at the Council have been working alongside Welland Procurement to find an appropriate route, due to the tight timeframe and deadlines needing to be met.

2.17 A direct award route has been identified as the most viable, given the tight timeframes to be met for both schemes. The Council have identified two suitable frameworks – UK Leisure Framework and Everything FM. Both frameworks are being evaluated to consider the appropriate delivery model for both projects.

### **3. Key Considerations**

3.1 Officers at the Council and Welland Procurement are continuing to investigate appropriate procurement routes to allow a direct award route to a chosen supplier in order to reach timeframes set out by both Salix and Sport England as a condition of the grant funding awards. This would require delegation to the Deputy Chief Executive and S151 Officer in consultation with the Cabinet Member for Environment and Waste, to enter into an agreement once the framework and direct award has been agreed.

### **4. Other Options Considered**

4.1 Reporting back to Cabinet for delegated authority after the framework route was finalised and contract documents agreed. This would delay the projects significantly due to the next cabinet meeting being in September, which would create a high risk of not meeting deadlines set out by Salix as a condition of the PSDS grant funding, and not meeting deadlines by Sport England as a condition of the grant SPSF funding.

4.2 Do not enter into a direct award framework and go to open market tender. Welland procurement have advised an open tender process would conclude in December, which again would delay the project significantly due to open market process, and required authorisations needed, which would create a high risk of not meeting deadlines set out by Salix as a condition of the grant funding and jeopardise any delivery of the solar PV installation.

## **5. Reasons for the Recommendations**

5.1 By delegating authority to the Deputy Chief Executive and S151 officer, to enter into an appropriate framework to direct award to a suitable contractor to carry out the required works, using the grant provided from Salix and Sport England, the Council would then be confident that due diligence checks are carried out on the chosen supplier, as part of the framework criteria, and the Council can begin to plan and start required works in line with both the Salix and Sport England grant funding criteria.

## **6. Background Papers**

6.1 Environment Overview and Scrutiny Committee – 19<sup>th</sup> March 2024 –[Update on climate change reserve fund.pdf \(southkesteven.gov.uk\)](#)