



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Officer Delegated Decision

28th March 2025

Richard Wyles, Deputy Chief Executive
and s151 Officer

Grantham Meres Leisure Centre – Award of contract for decarbonisation works

This Officer Delegated Decision (ODD) report seeks approval to award a contract for the installation and associated works of a low carbon heating system at Grantham Meres Leisure Centre utilising funding received from the Public Sector Decarbonisation Scheme (phase 3c).

Contact

Serena Brown, Sustainability and Climate Change Manager

 Serena.brown@southkesteven.gov.uk

Decision made by:	Richard Wyles, Deputy Chief Executive and s151 Officer
Decision:	That a Development Management Agreement for decarbonisation works at Grantham Meres leisure centre is entered into with Alliance Leisure.
Public or Exempt:	Public with the exception of appendices A and B
Reasons for exemption:	Appendix A and B are not for publication by virtue of paragraph 3 of part 1 of Schedule 12A of the Local Government Act – commercially sensitive information and information belonging to a third party
Conflicts of interest:	No
Policy compliant:	Yes
Details of delegation:	At a meeting of Cabinet held on 9th July 2024 delegated authority was provided 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. The Deputy Chief Executive and S151 Officer is authorised under at Part 3 (c) for Delegated Powers to Officers, item 28 (Tendering) of the Constitution to accept tenders and award contracts to contractors on behalf of the Council in the following circumstances: a) Following a tender process strictly in accordance with the Council's Contract Procedure Rules and Financial Regulations. b) For carrying out works and/or the provision of goods and/or services.

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

- 1.1 The Council has been awarded £3,587,500 of grant funding via the Public Sector Decarbonisation Scheme (phase 3c) for the design and installation of a new low-carbon heating system for Grantham Meres Leisure Centre. This is supported by the Council's co-funding contribution of £492,500 to bring the original project budget to £4,080,000.
- 1.2 Following conclusion of the design phase of the project, a fixed price offer has now been received for the delivery of the new heating system and associated works. This allows for the project to be delivered on the current model using Alliance Leisure as Development Manager. By agreeing this current fixed price offer, the Council is protected against future cost increases against this agreed scope of works.
- 1.3 Every attempt has been made to review the scope and delivery model for the project whilst ensuring the approved outcomes can be achieved, however there is a projected minor forecast overspend of £23,540. It is proposed that this difference is supplemented by the Climate Change reserve.
- 1.4 It is proposed that in the event that any of the client responsibility cost items listed in the Risk Register are confirmed that the funding will be obtained from the Property Maintenance Reserve.

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

Procurement

- 1.5 Following award of funding, a compliant procurement route via the UK Leisure framework was identified to deliver the project.

Completed by: Helen Baldwin (Procurement Lead)

Legal and Governance

- 1.6 At a meeting of Cabinet held on 9 July 2024 it was agreed to accept the Public Sector Decarbonisation funding and provide delegated 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.
- 1.7 The Deputy Chief Executive has the delegated authority to accept the tender as per paragraph 28 (Tendering) of Part 3(c) of the Constitution.

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

Climate Change

- 1.8 The leisure centres within South Kesteven are included within the Council's boundary for carbon reporting. 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.

Completed by: Serena Brown, Sustainability and Climate Change Manager

2. The Purpose of the Report

- 2.1 South Kesteven District Council conducted an analysis of the Council's carbon emissions 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 as a result of energy used for heating and hot water, as well as electricity to power the centres.
- 2.2 Grantham Meres leisure centre has significant utility costs as a result of energy used on site. In financial year 2023/24 the cost associated with this was £685k.
- 2.3 The Council submitted a bid to Phase 3 of the Public Sector Decarbonisation Scheme (PSDS). The focus of the bid was a 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. 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.

- 2.4 An application to phase 3C of PSDS was made in November 2023 for a total project value of £4,080,000. 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. The Council were notified of a successful application in May 2025, resulting in the below total budget:

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

- 2.5 Following notification of the successful bid, Cabinet were updated [on 9th July 2024](#). As well as noting progress on the scheme, they delegated 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.
- 2.6 The funding was allocated as a two year project, to be completed by March 2026. Technical design works were to take place in year 1 of the project, with installation to commence from year 2. Included within this budget was a 5% allocation for design contingency costs (£204,000), as well as an allocation for project delivery costs at 8% (£326,400) including external management costs, alongside design costs, main equipment costs, installation costs and enabling measure costs.
- 2.7 Following a review of procurement options for the project, the UK Leisure framework was identified as a compliant route to market. Alliance Leisure are the lead development partner for this framework, which allowed them to be directly appointed for the scoping, design, refurbishment, construction and development of sports, leisure and other cultural facilities.
- 2.8 For the project identified for Grantham Meres leisure centre, Alliance Leisure have engaged the services of Leisure Energy (Lead Designer and Principal Contractor) and Greenwoods Project Services (Project Management and Quantity Surveyor), alongside Principal Designer roles for CDM and Building

Regulations. A Framework Access Agreement for the design portion of the works was entered into in August 2024.

2.9 A fixed price offer has now been received, and following review of some inclusions, the latest budget position is as below. This allows for the project to be delivered on the current model using Alliance Leisure as Development Manager. By agreeing this current fixed price offer, the Council is insulated against future cost increases against this agreed scope of works. This is included at Appendix A – Capital Investment Summary.

2.10 While the scope and delivery model for the project have been reviewed, this current proposal does still go above the original project budget. It is proposed that this difference is supplemented by the Climate Change reserve.

Current project budget	£4,080,000
Capital Investment Summary	£4,103,540.15
Variance	£23,540.15

2.11 The value set in the Capital Investment Summary does not include any provision for contingency. Appendix B- Project Risk Register has been developed which includes live risks to the project, as well as an anticipated cost should the risk emerge. This includes an anticipated cost across the project programme if all risks in the register are realised. Further unanticipated risks or costs could emerge due to the nature and age of the building being upgraded and complexity of related systems. It is proposed that the Property Maintenance Reserve is used for the contingency fund total as set out at Appendix B.

3. Available Options Considered

3.1 The Council could choose to abandon the project and not use the remaining funding allocation from the Public Sector Decarbonisation Scheme. The Council remains liable for at least 12% of project costs spent to date as per the terms and conditions of the scheme. Should this be the case the heating system at Grantham Meres leisure centre is end of life and would need to be upgraded using a separate budget. Under this scenario the Council would not benefit from the significant carbon savings the new heating system will provide.

4. Preferred Option

4.1 To accept the fixed price offer and approve the use of the UK Leisure Framework and enter into a Development Management Agreement for installation of new air source heat pump system and associated works.

- 4.2 To approve the use of the Climate Change Reserve for the variance related to the Capital Investment summary as detailed at 2.10.
- 4.3 To approve the use of the Property Maintenance Reserve for the contingency fund total as detailed at Appendix B – Project Risk Register.

5. Reasons for the Decision(s)

- 5.1 The current heating system of gas boilers and CHP units at Grantham Meres leisure centre are in need of upgrade in order to ensure the ongoing operation of the centre. In line with the Council's carbon emissions targets, the installation of an air source heat pump system will significantly reduce energy consumption and dramatically reduce carbon emissions associated with the centre.

6. Appendices

- 6.1 Appendix A – Capital Investment Summary (Exempt)
- 6.2 Appendix B – Project Risk Register (Exempt)

Signed by: **Richard Wyles**

Dated: **28 March 2025**