

Item No	Referred from:	Cabinet
8E	Date:	25 June 2024
	Title of item:	Leisure Investment Options – Part 1
To be considered alongside agenda item:		Agenda Item 20

The report considered by Cabinet at the meeting held on 25 June 2024 can be viewed here: [Agenda for Cabinet on Tuesday, 25th June, 2024, 7.30 pm | North Herts Council \(north-herts.gov.uk\)](https://www.north-herts.gov.uk/agenda-for-cabinet-on-tuesday-25th-june-2024-7-30-pm)

RECOMMENDED TO COUNCIL:

- (1) An increase in capital expenditure of £2.4m into the capital programme for the decarbonisation work to the three leisure centres. The overall budget will be profiled across 2024/25 and 2025/26.
- (2) An increase in the capital budget of £250k for the Royston Leisure Centre (RLC) gym extension, to ensure the extension is built to net zero carbon standards.
- (3) Approval of revenue expenditure of up to £757k for termination and removal fees of the gas CHPs at North Herts Leisure Centre and Hitchin Fitness and Swimming Centre. This would be funded from General Fund reserves. To take this Part 2 report into consideration when reaching the decisions detailed in Part 1.

REASONS FOR DECISIONS:

- (1) North Herts Council passed a climate emergency motion in May 2019. This declaration asserted the council's commitment toward climate action beyond current government targets and international agreements. This is currently pursued through the North Herts Climate Change Strategy 2022-2027 which sets out what the council will aim to do to reduce its own carbon emissions to achieve Carbon Neutrality for the Council's own operations by 2030 and a Net Zero Carbon district by 2040.
- (2) Gas use from our leisure centres is a significant contributor towards the Council's own emissions. In 2022-23, gas use across the three leisure centres accounted for 1,428 tonnes CO₂e. This equates to 45% of the Council's Scope 1-3 emissions. Taking action to replace gas heating for our leisure centres with low carbon alternatives is the single most effective action we can take towards meeting our target of being carbon neutral by 2030.
- (3) There is currently a capital allocation in the 2024/25 budget to build a gym extension and learner pool (subject to business case) at Royston Leisure Centre.
- (4) During the procurement for the leisure and active communities contract, the Council committed to deliver the gym extension project which is incorporated in to the contractual management fee. The initial tender stage returns showed that extension would generate additional income of at least £150k per year, and subject to inflationary increases. The latest estimate is that the capital costs will be £1.25m. This is an increase from the initial estimate of £1m and includes making the extension net-zero. The income generated will still exceed the revenue cost of capital (at around £90k per year), but in line with the financial regulation the increased capital spend needs to be approved by Cabinet.
- (5) The business case for the learner pool has not yet been agreed and is included in the Part 2 report.

Audio recording – 44 minutes 28 seconds

The Chair invited Councillor Matt Barnes, as Chair of the Overview and Scrutiny Committee, to present the referral on this item. Councillor Barnes advised:

- The grant from Centrica must be used by March 2026 as there was penalty clause in the contract.
- There was no objection to the gym extension at Royston Leisure Centre and section 106 funding had been applied to this.
- The business case for the learner pool at Royston Leisure Centre was unfavourable on a financial basis.
- Swimming lessons were oversubscribed at Royston Leisure Centre and the Council should be mindful of their motion on health initiatives.
- The construction of a learner pool at Royston should not be removed from budget and the Council should continue to explore alternative areas of funding to make the business case more favourable.

In response to a question from Councillor Chris Hinchliff, the Service Director – Place, advised that the amount of s106 funding to be applied to the gym extension at Royston Leisure Centre was roughly £170K.

The Chair invited Councillor Sean Nolan, as Chair of the Finance, Audit and Risk Committee, to present the referral on this item. Councillor Nolan advised that:

- The penalty charge associated with the contract with Centrica was a risk to finances.
- A decision must be reached now on spending the grant otherwise the opportunity would be lost.
- The cancellation fee should not be the reason to stop the whole programme going ahead and therefore was not a good reason to remove this from the budget.

The Executive Member for Environment and Leisure presented the report entitled ‘Leisure Investment Options – Part 1’ and advised:

- In February 2024 the Council advised that the Public Sector Decarbonisation Scheme had been successful and the Council was awarded over £7.7 million in grant funding.
- Emissions from leisure centres accounted for 45% of the total emissions of the Council.
- After decarbonisation at leisure centres the carbon savings would be over 50% as detailed in paragraph 8.1.
- Upon confirmation of the grant, Wilmot Dixon were commissioned to carry out a feasibility study for the works. This feasibility study identified some technical issues which led to cost increases as detailed in paragraph 8.6.
- The cost increases for the gym extension and learner pool to ensure they were built to net zero carbon standards were tabled in paragraph 8.15. There was an error in the table where the cost increase for the learner pool is shown as £200K rather than the correct figure of £220K. However, the total figure of £470k was correct.
- There were strict conditions in the Salix Grant that all funds must be spent in the relevant year of the project with no flexibility in this. For 2024/25 the grant was around £6.2 million and for 2025/2026 was around £1.6 million.

Councillor Daniel Allen thanked Officers for their pro-active work on this and reported how this would assist the Council in achieving the aim to be zero carbon by 2030.

Councillor Ian Albert advised that there would be a full review of the capital programme and that it was an aspiration to achieve a learner pool at Royston Leisure Centre. Councillor Albert added that within the report it recommended to bring in external expertise from a Quantity Surveyor to oversee the interests of the Council.

Councillor Mick Debenham proposed and Councillor Ian Albert seconded and, following a vote, it was:

RESOLVED: That Cabinet:

- (1) Agreed in principle to terminate the Combined Heat and Power Centrica contracts at North Herts Leisure Centre (NHLC) and Hitchin Swimming and Fitness Centre (HSFC) at the appropriate time during the PSDS project and recommend to Council as per 2.6 below regarding the termination fee.
- (2) Expressed its profound disappointment at the position taken by Centrica over the cost of the CHP contract termination, given the company's stated position as "Energising a greener, fairer future" and requests that the Council continues to raise, and seek solutions to, the issue of long-term inflexible agreements for gas CHPs with Salix and Government, which will inevitably prevent many public sector organisations from achieving their net zero ambitions.
- (3) Did not approve the business case for Royston Leisure Centre Learner Pool at this time due to matters identified in the Part 2 report.
- (4) Agreed that the Project Board would review the business case for the Royston Learner Pool, after further work had taken place to explore any other funding options that were realistically available. That review would then feed into the planned review of the Councils capital programme, as part of the 2025/26 budget setting process.

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