

<b>CABINET</b>
<b>20 MAY 2025</b>

## **PART 1 – PUBLIC DOCUMENT**

### **TITLE OF REPORT: DECARBONISATION OF LEISURE CENTRES CONTRACT AWARD**

REPORT OF: Director - Environment

EXECUTIVE MEMBER: Environment, Leisure and Green Spaces

COUNCIL PRIORITY: SUSTAINABILITY

#### **1. EXECUTIVE SUMMARY**

This report seeks to update Cabinet on progress on the leisure decarbonisation project, including latest financial implications and seeks approval to award the construction contract to Willmott Dixon Construction Ltd (WDC).

#### **2. RECOMMENDATIONS**

- 2.1 That Cabinet agree to increase the project capital budget to £16.166m **(provisional figure to be updated prior to 20 May)**.
- 2.2 That Cabinet approve the extension of the lido seasons at both Hitchin and Letchworth as per paragraphs 8.13-8.14.
- 2.3 That Cabinet approves the changes to the 2025/26 General Fund budget, resulting from the planned closures and extended opening of the lidos, a £937k increase in net expenditure.
- 2.4 That Cabinet award the leisure decarbonisation construction contract to Willmott Dixon Construction at a value of £15.785m **(provisional figure to be updated prior to 20 May)**.

#### **3. REASONS FOR RECOMMENDATIONS**

- 3.1 To enable Cabinet to review the progress of the leisure decarbonisation project, including spend to date and anticipated increases in capital budget expenditure, as well as revenue implications (loss of income during closures and net costs of extending outdoor pool opening), and approve the award of the construction contract to WDC.

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 There would be an option to stop the project and not award the contract. This has been discounted for the reasons set out in paragraph 10.3.

## **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1 A project board has been established for consultation on the leisure decarbonisation project. The project board includes senior officers and the Executive Member for Environment, Leisure and Green Spaces, Cllr Debenham and Cllr Ian Albert, Executive Member for Finance and IT. The Director – Environment is Project Lead Officer and a representative from SIAS (Shared Internal Audit Service) is also included to ensure good project management governance. The project board were advised of the latest budget projections for the project at a meeting on 15 April 2025.

## **6. FORWARD PLAN**

- 6.1 This report contains a recommendation on a key Executive decision that was first notified to the public in the Forward Plan on the 17 April 2025.

## **7. BACKGROUND**

- 7.1 The Council's leisure centres are a significant source of the Council's operational carbon emissions. In 2022-23, gas use across the three leisure centres accounted for 1,428 tonnes CO2e - 45% of the Council's Scope 1-3 emissions.
- 7.2 In November 2023, the Council submitted an application for Phase 3c of the Public Sector Decarbonisation Scheme (PSDS). The application included details of existing buildings and heating systems and high-level proposals to enable substantial decarbonisation of the three major leisure centres.
- 7.3 In February 2024, the Council was advised its application was successful, securing £7.74m to assist in replacing end of life gas boilers with Air Source heat pumps and on-site generation of electricity through installing Solar PV panels. Other measures such as new air handling units and external and internal insulation also form part of the project at the three leisure centres; North Herts Leisure Centre (NHLC), Hitchin Swimming and Fitness Centre (HSFC) and Royston Leisure Centre (RLC).
- 7.4 In addition to the decarbonisation works, the project includes plans to build a gym extension at RLC, refurbishment of the changing village at RLC, and conversion of the wet change at NHLC to a change village (including refurbishment). The business case and capital budget for these works has already been approved.
- 7.5 During development of the PSDS application, costs were developed based on the findings of Heat Decarbonisation Plans which had been produced. At this stage, very early design stages were submitted. Additional costs incurred, such as preliminary costs were not incorporated into the application. Further capital was therefore secured to cover these additional costs, plus the Council's own match funding contribution required as part of the grant award criteria. The original total capital allocation for PSDS (as at February 2024) was £10,803,000 (including the grant). At that time there were separate capital budgets for elements that are now part of the project i.e. NHLC air handling units (£250k), NHLC wet change (£250k), RLC change village refurbishment (£150k) and RLC gym extension (£1million).

7.6 During the detailed feasibility stage of the project, technical issues were identified, such as problems with insulating the underside of the roofs at the centres, resulting in additional costs being identified. Significant costs were also identified to terminate the agreements for the gas combined heat and power units (CHPs) which operate at NHLC and HSC. Therefore, at a meeting on 11 July 2024, Council resolved:

*(1) That Council approves 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) That Council approves 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) That Council approves 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.*

7.7 In August 2024, the Council signed a Pre-Construction Services Agreement with WDC, enabling the detailed design of the schemes to take place.

7.8 During the detailed RIBA Stage 3 / Stage 4 design phase, a review of the proposed air source heat pumps (ASHP) at all three leisure centres highlighted significant additional running costs, compared to previous estimates at detailed feasibility stage. Therefore, at a meeting on 14 January, Council resolved:

*(3) That Council proceed with Option 4a (design and order the larger, bespoke heat pumps) and approve the additional forecast capital and ongoing revenue costs (including revenue costs of capital) and note the ongoing project risks.*

7.9 Following the Council meeting of 15 January, the total project budget was £15.559m. This includes the decarbonisation works (including Salix grant of £7.73m), the Royston gym extension and the refurbishment of the RLC change village and NHLC change village.

## **8. RELEVANT CONSIDERATIONS**

8.1 On 24 March 2025, WDC submitted a provisional contract sum of £15.895 million following completion of the detailed feasibility stage. This provisional sum has since been revised down by approximately £110k, due to a contribution from Everyone Active for some additional works associated with the Royston Gym Extension. The revised cost plan includes budgets for the decarbonisation works, RLC gym extension, RLC changing village refurbishment and conversion of the wet change to a changing village at NHLC. It should be noted that the final costs are still being negotiated and these will be updated prior to the contract award decision on 20 May.

8.2 During detailed feasibility, WDC identified a number of project issues which have resulted in increased costs since the last cost plan in October 2024. These costs are mainly attributed to roof issues, bat surveys, consolidation centre and cost increases relating to resizing of the heat pump units (as well as increased mechanical and electric requirements to support these larger heat pumps).

- 8.3 The table below outlines the budget picture based on the above provisional contract sum. In addition to the WDC contracting costs, there are £381k of additional costs which fall outside of the construction contract. These are for the Council's quantity surveyor, project manager, M&E consultant and Building Safety designer, as well as planning fees. These also include business rates and property management fees for the use of the former Iceland building in Hitchin, for storage of early ordered materials.

Description	Value
Total Project Budget - Includes elements detailed in paragraph 8.1 above	£15,559,000
Capital Tolerance (5%)	£777,950
<b>With capital tolerance, funding available</b>	<b>16,336,950</b>
WDC updated forecast	£15,785,021
QS, MEP, BSA Project Manager, planning Costs	£381,169
<b>Total forecast cost</b>	<b>16,166,190</b>
Capital tolerance remaining	£170,760

- 8.4 While the overall costs are within the current budget capital tolerances (totalling £777,950) set out in the Council's Financial Regulations, this leaves very limited contingency for any issues which may occur during construction phase. The Council's Quantity Surveyors have advised that they normally suggest a 10% contingency for construction projects of this size, however given this is a design and build contract and the contractor should be aware of the risks, having completed the first stage tender and undertaking their own surveys and investigations, meaning they have a greater understanding of the scope and its complexity, they advised 5% would be a reasonable level. The key financial risks at construction stage are around electrical connections, existing mechanical systems being connected into and asbestos.
- 8.5 As set out in recommendation 2.1, Cabinet are recommended to approve an increase in the capital budget– from £15.559m to approximately £16.166m (this figure is provisional at the time of writing). A 5% tolerance on this capital budget will then be available, in the event of unforeseen issues materialising during the construction phase. Our quantity surveyor is currently working with WDC on the costs, prior to the final contracting sum being presented to Cabinet on 20 May. This will be submitted as an Addendum to the report.
- 8.6 **Project spend to date:** Due to the requirements of the Salix grant funding, early orders had to be placed, prior to entering into the construction contract with WDC, to ensure the grant funding could be spent and claimed in the correct year. The following table provides a summary of costs incurred to this point:

Item	Cost
Supply and install A/C units at NHL C	£146,356
PSDS Design Fees	£1,152,939
Royston Gym Extension Design Fees	£183,850
Early Orders including: glazing, render, sports hall lining, PV panels, cooling plant, AHU upgrades, cladding	£1,248,429
ASHPs	£3,858,531
Quantity surveyor (Varsity Consulting) and Project Manager	£119,146

<b>Total Spend</b>	<b>£6,709,251</b>
<b>Salix Grant Claim made 21/3/25 (Salix approved)</b>	<b>£2,422,088</b>
<b>Salix Grant Claims made 17/4/25</b>	<b>£3,743,176</b>

- 8.7 **Closure programme:** WDC have also been working on a programme of closures for the three sites to accommodate the works. While mitigation measures are being put in place wherever possible, unfortunately the programme of planned closures is more significant than originally anticipated.
- 8.8 A key issue has been with planned works to install insulation and solar PV on the roof of the swim centre at Hitchin. The roof does not contain a structural deck and therefore this has created a health and safety risk of materials and people falling through the roof. Various solutions were considered to mitigate the risk and the final solution agreed upon involves installation of netting on the underside of the roof and a partial daily pool closure for approximate 21 weeks, Monday to Friday, 8am to 3pm. The pool will then reopen from 4pm each day, enabling swimming lessons to continue and will be open all day at weekends. The works will also take place over the learner pool section first, enabling the learner pool to fully reopen after approximately 9 weeks.
- 8.9 While mitigation measures have been put in place wherever possible e.g. during refurbishment of the wet change facilities at Royston and NHLC, swimmers will be encouraged to come dressed 'swim ready', enabling the pools to stay open wherever possible, and during closures members will be given access to other Everyone Active facilities. There are also planned whole site week-long closures for all three sites, for the UK Power Networks work associated with the new sub-stations. However, it is anticipated that these closures may only be a couple of days, rather than a whole week.
- 8.10 The current estimated one-off loss of revenue for the closures across all three sites is approximately £900k. This is a cost which the Council will have to bear, as per the requirements of the Leisure and Active Communities contract. The table below gives an outline of the planned closures across the sites, however this is still subject to change, as the programme is not yet finalised.

Site	Closure Location	Weeks
<b>RLC</b>	Pool	2
	Pool Changing Village	7
	Sports Hall	8
	Sports Hall Reduction	14
	Gym & Studio	4
	Full Centre	1
<b>NHLC</b>	Main Pool	4
	Pool Changing Village	
	Sports Hall	13
	Reception	4
	Cafe reduced offering (cold food)	7

	Gym reduced occupancy	11
	Full Centre	1
<b>HSFC</b>	Pool	23 weeks partial as per paragraph 8.8 (includes 2 weeks full reopening over Christmas)
	Netting installed	2 (investigating option for overnight working to prevent closure)
	Remove netting	2 (investigating option for overnight working to prevent closure)
	Gym	6
	Studios (1 at a time)	3
	Full Centre	1

- 8.11 To minimise disruption and reputational impact during the full and partial pool closures, there is an option to extend the lido seasons at both Letchworth and Hitchin. WDC's current programme indicates the pool closures/ restricted access will take place for Letchworth and Hitchin during the following periods:

<b>Pool</b>	<b>Date Pool Closes</b>	<b>Date Pool Re-opens</b>
HSFC	Early October 2025 (partial 8am-4pm Monday to Friday closures)	31 March 2025
NHLC	9 September 2025 (Learner pool remains open)	7 October 2025

- 8.12 The normal season for the lidos is from 24 May 2025 – 7 September 2025 (15 weeks).
- 8.13 Everyone Active have already agreed to close Hitchin lido two weeks later this season. Work is planned to start on Hitchin roof in October and therefore it is recommended the Hitchin lido season is extended to the end of October from 7.30am/ sunrise-2pm, to capture some of the casual swimmers who use the indoor pool during the closure period from 8am-4pm. There will be a period where the lido is open before works starts on the roof, however for practical reasons, such as needing to maintain the pool temperature and to enable Everyone Active to effectively market the opening to customers, it is recommended the lido remains open during this period. It is likely to be too costly and impractical to extend the season past October, due to light restrictions and weather, which will lead to lower customer numbers.

- 8.14 The main pool at NHLC closes on 9 September 2025 and therefore it is recommended Letchworth lido season is extended to 5 October, opening from 7am-7pm, providing pool space whilst the indoor is closed. Everyone Active will offer regular hirers of the lido the opportunity to stay on during the extension period and potentially attract some of the clubs over from the indoor pool.
- 8.15 The following table shows the total costs for the extension period. The income generated while the pools are open will be offset against the costs. The current costs include redeployment of staff at Hitchin when the main pool is closed during the daytime. It is also possible that some staff from NHLC can be redeployed to the Letchworth Lido and therefore this may also reduce costs. Based on selling extended season tickets, extending regular hires, transferring some hirers from NHLC and casual use, we estimate covering approximately 50% of the costs highlighted below through income generated. While this is weather dependent, we will work with Everyone Active to be flexible where necessary on opening times, to ensure we can maximise income and minimise revenue costs.

<b>Lido</b>	<b>Opening Period</b>	<b>Estimated Net Cost</b>
Hitchin	7am-2pm (sunrise times to be reviewed) 8 weeks	£16k
Letchworth	7am-7pm (sunrise/sunset time to be reviewed) 4 weeks	£21k
	<b>Total</b>	<b>£37k</b>

## **9. LEGAL IMPLICATIONS**

- 9.1. Cabinet has remit, as per its Terms of Reference (at paragraph 5.7.8) include “to monitor quarterly revenue expenditure and agree adjustments within the overall budgetary framework”. Cabinet can agree (usually through the quarterly budget monitoring reports) to increases in forecast spend. Where these have an ongoing impact, these are then incorporated into budgets for future years. However, such decisions are required to be in the context of the budgetary framework and that must consider the degree to which there is an element of choice and the financial value. The advice of the Director: Resources (as Chief Finance Officer) is that such a decision is within the budgetary framework and therefore can be taken by Cabinet.
- 9.2. A Director has delegated authority to award a contract within their service areas if they are from their approved budget [under section 14.6.4(a) (ii) of the constitution]; an officer may always, however, refer a delegated decision to Cabinet or their respective committees rather than make the decision. Given the nature of the decision, and overall financial implications, the Director has referred the decision to award the contract to Cabinet.

## **10. FINANCIAL IMPLICATIONS**

- 10.1. The revised current capital forecast for the project is £16.166 million. This is against an allocated capital budget of £15.559 million. This increase is within the capital tolerances (totalling £778k) set out in the Council’s Financial Regulations. From a capital investment perspective, this means that whilst the project could continue without Cabinet approval, this leaves little room for unforeseen contingency (a 5% allowance is recommended).

Therefore, Cabinet is recommended to increase the capital budget to £16.166m (subject to final contracting sum), which includes the total WDC contracting sum and the other costs of £381k. There will then be a 5% capital tolerance on this revised budget, which can then be used as contingency (if required).

- 10.2. In setting the 2025/26 budget, a budget risk of £50k was included for closures during these works. Budget risks are reflected in setting the minimum General Fund balance for the year and are a way for Council to approve potential spend when there is not enough certainty to approve a specific budget. We now have that greater certainty. Whilst it shows the original estimate was insufficient, the Council has sufficient General Fund reserves to absorb that cost without any detrimental impact on our Medium-Term Financial Strategy.
- 10.3. If there was a decision to stop the project (i.e. not enter into a construction contract and approve the required funding) then we would lose the PSDS funding, as we would not be doing the work that the funding is contingent upon within the required timescales. As specified in paragraph 8.6 we have incurred costs of £6.709 million. Some of this is design work which may still be useful if the project were revisited in the future, but would revert to being a revenue cost in the short-term. The capital purchases may be able to be sold (either back to the supplier or a third party) or retained for future works. Both options could involve substantial costs, either for the discount that would need to be applied, or for storage costs.

## **11. RISK IMPLICATIONS**

- 11.1. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2. The project features on the Council Delivery Plan, which includes the overall risk assessment. It also has a detailed project risk log which is presented to the project oversight group. There are key risks associated with both cost and timescales.

## **12. EQUALITIES IMPLICATIONS**

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. There are potentially some negative implications due to the decreased services/opening times of facilities however mitigations such as using alternative sites etc. will limit these impacts.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1. As the recommendations in the report relate to a contract above £100,000, Social Value will be incorporated in the procurement process.



- 13.2 The Public Services (Social Values) Act 2012 imposes an active duty on relevant contracting Authorities to consider the economic, environmental and social benefits that can be achieved through commissioning. It does so by requiring consideration of the improvements of economic, environmental and socio-economic of the procurement to wider society.
- 13.3 The Council will be using the SCAPE Procure Regional Construction Framework for the procurement and social value is integral to SCAPE's approach and operations. Utilisation of the Framework ensures Social Value outcomes; for example, utilising a 'go local' approach to spend which benefits the local economy.
- 13.4 SCAPE unlocks social value at scale, through procurement solutions and innovative joint ventures, which engender long-term collaborative relationships with framework delivery partners and with the Council, creating scope to plan sustainably and invest for the future. SCAPE generates social value both directly, through its activities; and indirectly, by regulating supplier behaviour through procurement and thought leadership.

#### **14. ENVIRONMENTAL IMPLICATIONS**

- 14.1. Whilst there are carbon costs associated with construction, the project is solely focused on improving the energy efficiency of the sites and implementing renewable energy solutions to substantially decarbonise the sites. This should lead to a significant overall reduction in operational carbon emissions. Section 7.10 identifies that fabric work (glazing, new roofing, cladding etc) may prolong the life of the buildings, reducing the risk of needing to demolish and replace buildings, which may have a higher carbon cost.

#### **15. HUMAN RESOURCE IMPLICATIONS**

- 15.1 To ensure resource can be appropriately managed, a Project Manager has been appointed to support the project alongside a quantity surveyor to represent the Council's interests.

#### **16. APPENDICES**

- 16.1 None.

#### **17. CONTACT OFFICERS**

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#### **18. BACKGROUND PAPERS**