

Decision maker:	Director of Economy and Place
Decision date:	Monday 16 September 2019
Title of report:	Halo Leisure energy efficiency programme
Report by:	Energy and active travel manager

Classification

Open

Decision type

Non-key

Wards affected

(All Wards);

Purpose and summary

To approve the business case, draw-down of approved capital funding and the implementation arrangements for a programme of energy efficiency measures on leisure facilities managed by Halo Leisure, on behalf of Herefordshire Council.

Recommendation(s)

That:

- (a) the remaining capital programme balance of up to £368,000 of approved capital borrowing be made available to Halo Leisure for the implementation of the following energy efficiency measures:

Proposed energy efficiency measure	Locations
Replacement Air Handling	Hereford Leisure Pool
Replace lighting with LED	Leominster Leisure Centre
	Ross Swimming Pool

	Hereford Leisure Centre
	Hereford Leisure Pool
Low Flow Showers	Ledbury Swimming Pool
	Leominster Leisure Centre
	Ross Swimming Pool
	Hereford Leisure Centre
	Hereford Leisure Pool
Solar Assisted Cooling	Hereford Leisure Pool

(b) the loan is repaid over 25 years as agreed in the lease agreements from 2018.

Alternative options

Not to approve the loan to Halo.

1. Halo would be unable to invest in the proposed environmental improvements and would not be able to deliver the associated energy, carbon and cost savings. As Halo's associated carbon emissions are included within the scope of the council's carbon management plan, this would negatively affect the council's ability to deliver its longer term carbon reduction targets.

Key considerations

2. On 23 January 2014 a cabinet decision was taken to approve capital investment for improvements to Herefordshire Council's leisure facilities managed by Halo Leisure, including borrowing of £9m.
3. This investment was to be funded by prudential borrowing, the investment to be repaid via a rental charge over 25 years using increased income generated from the improved facilities.
4. The cabinet decision provided for authority to be delegated to the (then) Director of Economy, Communities and Corporate following consultation with the Chief Finance Officer and Cabinet Member Contracts and Assets to approve fully costed business cases and implementation arrangements within the programme for the draw-down of the approved capital funding.
5. To date £8.632m of this £9m capital borrowing allocation has been invested . This report seeks approval to draw down the remaining allocation of £0.368m, on an invest-to-save basis with the repayments being made through rental payments from Halo Leisure.
6. The proposed projects are set out below:

Proposed energy efficiency measure	Locations
Replacement Air Handling	Hereford Leisure Pool
Replace lighting with LED	Leominster Leisure Centre
	Ross Swimming Pool
	Hereford Leisure Centre
	Hereford Leisure Pool
Low Flow Showers	Ledbury Swimming Pool
	Leominster Leisure Centre
	Ross Swimming Pool
	Hereford Leisure Centre
	Hereford Leisure Pool
Solar Assisted Cooling	Hereford Leisure Pool

7. Halo have worked with a specialist consultancy to identify projects and used the consultant's data to build up their own models and projections. The value of each project comes through assumed savings on utilities, which are sufficient to fully cover the repayments on the requested borrowing. For the purposes of these projections, any assumed savings presented by the consultants have been reduced by 10-25%, and any additional increases in consumption assumed in full. Any additional benefit that may accrue from an increase in energy costs have also been excluded from the projections.
8. Halo will be required to undertake due diligence of the specification and installations.
9. **Proposed energy efficiency measures**
10. Replacement of Air Handling Unit (AHU) at Hereford Leisure Pool
 - o The existing AHU at the leisure pool does not operate any heat recovery and is deemed to have reached the end of its useful service life.
 - o Halo propose to install a new specialist, packaged, fresh air, swimming pool specific AHU to serve the leisure pool. The new AHU will utilise plate heat exchanger and mixing box technologies combined with the latest control strategies to achieve effective humidity control with optimal energy efficiency. The new AHU will meet will meet the requirements of Commission Regulation (EU) No 1253/2014 of 7 July 2014 implementing Directive 2009/125/EC of the European Parliament and of the Council with regard to ecodesign requirements for ventilation units.
 - o As the new AHU will be sited externally on a dedicated frame, this will require planning permission.

11. Installing LED lighting at Leominster Leisure Centre, Ross Swimming Pool, Hereford Leisure Centre and Hereford Leisure Pool
 - Building on the success of the Council's LED lighting programme, Halo are proposing to upgrade approximately 30% of the lighting to LED at each of the above sites.
 - Here only 30% of the lighting is proposed for upgrade as whilst approximately 1,000 fittings were assessed as part of a lighting survey, a large proportion were deemed not cost effective for upgrade due to the cost of fittings and/or had limited hours of operation of those fittings.
 - The proposed lighting for upgrading to LED will generate savings of approximately 100,000 kWh of electricity and 27 tCO₂ each year.
12. Installing low flow showers at Ledbury Swimming Pool, Leominster Leisure Centre, Ross Swimming Pool, Hereford Leisure Centre and Hereford Leisure Pool
 - This proposal is to replace the existing showers at each of the above sites with new high efficiency, low flow showers heads. This is estimated to save 18 tCO₂ and £12,000 each year.
 - Pre and post pool and exercise showering in Herefordshire leisure centres accounts for over 7 million litres of water every year, all heated to 34°C and delivered to showers for customers.
13. Installing solar assisted air cooling at Hereford Leisure Pool
 - This proposal is to upgrade the air cooling system at the Hereford Leisure Pool with a solar-assisted system in order to improve the efficiency and reduce energy use.
 - Independent studies show kWh reductions of 30-35% in UK installations, however the business case has conservatively estimated a 25% saving
 - Users of this technology include Mercedes Benz, Toyota, DHL, Spar, Ministry of Defense, Sodexo, Cable & Wireless, Hard Rock Resorts and Intel.

Community impact

14. The proposed energy efficiency projects will contribute towards delivering the aims within the council's corporate plan to support improvement in the quality of the natural and built environment and to make best use of the resources available in order to meet the council's priorities.
15. This project will improve the Halo Leisure's energy efficiency, reduce its carbon footprint by 300t CO₂ pa, and will provide cost savings on an invest-to-save basis through the delivery of ongoing revenue savings.
16. The improved facilities, reduced running costs and associated carbon savings will contribute towards the delivery of the council's corporate plan priority to 'secure better services, quality of life and value for money'. The improved financial sustainability of Halo will help to deliver the aims of the Council's Leisure Facilities Strategy 2014.

Equality duty

17. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

18. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this decision is to do with improving the infrastructure of the leisure facilities across the estate we do not believe that it will have an impact on our equality duty.

19. Reducing Halo's running costs and improving efficiency will improve the leisure services offer to Herefordshire residents.

Resource implications

20. The estimated capital costs, cost savings and payback periods are summarised below:

Project	Installation	Contingency + Design	VAT	TOTAL	Annual Savings	Payback Period
Air Handling at HSP	£157,329	£39,332	£31,446	£228,107	£ 36,602	6.23
LED's at HLC, HLP LLC, RSP	£42,899	£4,289	£7,549	£54,737	£ 8,560	6.39
Low Flow Showers HLC, HLP, LSP, :LC, RSP	£48,000	£4,800	£8,448	£61,248	£ 13,980	4.38
Solar Assisted Cooling	£24,914	£2,491	£7,404	£34,809	£ 5,132	6.78
Totals	£273,142	£50,912	£54,847	£ 378,901	£ 64,274	5.90

21. The council's Property Services and Commercial Services team will be commissioned by Halo to support the project management, oversight and procurement process.

22. The rate of interest used is the council's weighted cost of capital, advised as 3.49%.

23. This project will also deliver unbudgeted maintenance cost savings and cost avoidance through the investment in new energy efficient equipment.
24. The repayment schedule is paid by Halo in the form of rental payments covered in the premises leases.
25. All measures will be procured in line with the council's contract procedure rules with support from the Commercial Services Team.
26. The ongoing maintenance requirements of these measures will be the responsibility of Halo as part of their existing full repairing lease.

Legal implications

27. The programme of investment and prudential borrowing were approved pursuant to a 2014 cabinet report.
28. Statutory powers are in place to allow borrowing and lending of money by councils:
 - The Local Government Act 2003 allows borrowing for expenditure on any purpose relevant to the authority's functions or for the prudent management of its affairs. Such borrowing must be in accordance with the Prudential Borrowing Code.
 - Section 111(1) of the Local Government Act 1972 allows an authority to both borrow and lend to facilitate the discharge of its functions or is conducive or incidental to them.
 - Section 1(1) of the Localism Act 2011 provides the authority with a general power of competence i.e. the ability to do anything an individual might do, including the lending of money. To an extent this supersedes the powers contained in the preceding Local Government Acts as it is far more widely drawn.
29. A deed of variation of the management agreement with Halo was completed on 12th September 2014. This effected a legal variation of the management agreement ensuring that the management fee payable to Halo reduced to - £676k for the period 2014/15, £386k for the period 2015/16 and to nil by 2016/17.
30. An agreement for variation of the leases of the Halo sites was also put in place on 12th September 2014 which ensures that on practical completion of the refurbishment works in respect of each property affected rents become payable by Halo which equate to repayment of a proportion of the borrowing for these works.
31. There are five new leases for the Halo Leisure sites which have a contractual term of seventy five years beginning on the 20 December 2017 all which include the new repayment structure which cover capital loan payments from 2018 to 2043

Risk management

32. The installation will comply with the construction design management regulations 2015 and Halo Leisure will ensure all installations are compliant and all health and safety regulations observed.
33. Structural surveys will be carried out at Hereford Leisure Pool prior to any works taking place to ensure the building is fit to take the extra load of the solar assisted cooling.

Consultees

34. The Cabinet Member Commissioning, Procurement and Assets has been consulted regarding the business case, and is content with the proposal.
35. The Chief Finance Officer has been consulted regarding business cases. He is content with the proposal.

Appendices

- None

Background papers

- None identified