

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Executive Committee
Date:	20th July 2015
Subject:	Installation of renewable energy measures at Amlwch Leisure Centre
Portfolio Holder(s):	Cllr. Ieuan Williams
Head of Service:	Dylan J. Williams
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Local Members:	Cllr. Richard Owain Jones, Cllr. Will Hughes & Cllr. Aled Morris Jones

A – Recommendation/s and reason/s

To delegate authority to the Head of the Economic & Community Regeneration Service to progress the design and installation of renewable energy measures at Amlwch Leisure Centre, including agreeing appropriate terms, conditions and timescales with Horizon Nuclear Power to fund the works.

This will enable the Head of the Economic and Community Regeneration Service to progress all discussions and negotiations with sufficient authority, clarity and certainty to comply with corporate requirements to reduce the running costs of the island's Leisure Centres.

B – What other options did you consider and why did you reject them?

The Isle of Anglesey County Council (IACC) is committed to providing opportunities for residents to live their lives in a healthy way and improve their quality of life through an improvement and modernisation to the existing leisure provision on Anglesey (ref: IACC Leisure Function Plan 2014-17).

To ensure that the IACC can continue to provide local leisure facilities, the Economic & Community Regeneration (E&CR) Service recognises that all current running costs must be kept to a minimum through efficient and effective service delivery, and be supplemented through increased income generation. This approach recognises and responds to Corporate requirements (ref: IACC Corporate Plan 2013-17) to identify savings/efficiencies, improve effectiveness and performance and increase income generation to support and maintain service provision.

However, this modern approach to leisure provision faces a number of specific challenges, including:

- The costs and overheads associated with ageing buildings and wet side facilities;
- The poor quality of existing facilities (due to their age and a lack of investment);
- Negative perceptions and a poor image.

One such facility is Amlwch Leisure Centre where the annual utility costs exceed £100,000. This includes an annual oil fuel cost of circa £72,000 and electricity costs of circa £32,000. In addition, the current oil fired boilers will need to be replaced during the next 2-3 years due to their age and condition at a cost of approximately £200,000.

Given the current financial constraints being experienced in the public sector, it is clear that these capital and revenue costs pose a significant threat to the future financial sustainability of the Leisure Centre. The E&CR Service does not have sufficient resources available to reduce the scale and impact of these anticipated costs.

As part of their on-going commitment and support to the local communities surrounding the location of Wylfa Newydd, Horizon Nuclear Power (HNP) has offered to install a series of solar photovoltaics on Amlwch Leisure Centre's roof to reduce the electricity costs, together with a new biomass boiler to reduce the facility's heating costs.

HNP proposes to utilise the UK Government's Feed in Tariff (FiT) and Renewable Heat Incentive (RHI) schemes to refund the costs of the capital investment (anticipated to take no longer than 15 years) – after which the IACC would receive all payments for generating the electricity and heat.

The FiT scheme enables energy suppliers to make regular payments to customers who generate their own electricity from renewable or low carbon sources. The scheme guarantees a payment for all electricity generated by the system, as well as a separate payment for any electricity exported to the grid. The RHI has been designed to provide financial support that encourages individuals, communities and businesses to switch from using fossil fuels for heating to renewables sources such as wood fuel.

HNP and the IACC would classify this investment as an *'in-kind'* Community Benefit Contribution. This is a legitimate type of voluntary contribution from a developer to support the sustainability and quality of life of a community that is hosting a major development that will have a long term impact on local resources and/ or the local environment (as outlined in the IACC's voluntary Community Benefit Contribution Strategy).

Given the nature of the proposed investment (i.e. an *'in-kind'* contribution), it is not subject to any competitive tendering or commissioning processes. HNP has initiated the proposed support as they recognise the importance of ensuring the future financial and environmental sustainability of the Leisure Centre to Amlwch and the surrounding communities. Although other parties have expressed an interest in supporting similar renewable energy measures, it is the professional opinion of E&CR officers that the HNP proposal is the most favourable option as it provides an opportunity to maintain and advance a positive, formal and long term relationship with them during all stages of the development, construction and operation of Wylfa Newydd.

In order to ensure transparency and to limit any misunderstanding, it's important for the Executive Committee to note that voluntary Community Benefit Contributions are not a mechanism to make any proposed development acceptable in planning terms, nor are they taken in to account when determining an application for planning consent. Community Benefit Contributions are completely distinct from, and should be kept separate from, payments or other mitigation secured through the statutory (Town and County) planning process.

There are many benefits to the IACC of the proposed investment in renewable energy measures at the Leisure Centre. These include:

- A 70% reduction in the Centre's utility costs to circa £30,000 per year (see **Annex A** for an Outline Business Case for the installation of renewable energy measures);
- The reduction in the utility costs will contribute towards achieving the Corporate target of a 60% reduction in the Leisure Function's budget by 2017;
- Not having to invest £200,000 of capital funding to replace the oil fired boilers during the next 2-3 years;
- The creation of a long-term revenue income from the electricity and heat production (once the cost of the investment has been recovered by HNP);
- A reduction in the Leisure Centre's carbon footprint in line with the commitments of the IACC's Building Energy and Water Saving Policy;
- An alignment with other recent capital improvements at Amlwch Leisure Centre that aim to improve and modernise the facility as part of a co-ordinated Leisure Commercial Change Programme (ref: IACC Leisure Function Plan).

If the proposed scheme is successful, HNP is also willing to consider the installation of renewable energy measures on other County Council buildings across the island.

C – Why is this decision for the Executive?

The approval of the Executive is sought to ensure transparency and accountability in relation to the source and nature of the funding investment (in line with the IACC's voluntary Community Benefit Contribution Strategy); and to enable the Head of Service to progress all discussions and negotiations with HNP with sufficient authority, certainty and clarity.

D – Is this decision consistent with policy approved by the full Council?

The installation of renewable energy measures is consistent with the aims of the County Council's Corporate Plan; the Leisure Function Plan and the recently adopted 'Building Energy and Water Saving' Policy (see **Annex B**).

DD – Is this decision within the budget approved by the Council?

The resources required to install the installation of renewable energy measures will be provided by HNP. Once the costs of the initial capital investment by HNP have been recovered through the FiT and RHI schemes, the IACC will benefit from a new source of revenue income from the electricity and heat production.

E – Who did you consult?		What did they say?
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	No comments received
2	Finance / Section 151 (mandatory)	No comments received
3	Legal / Monitoring Officer (mandatory)	No comments received
4	Human Resources (HR)	
5	Property	Supportive of the proposals providing robust and appropriate terms and conditions can be agreed between IACC and HNP
6	Information Communication Technology (ICT)	
7	Scrutiny	
8	Local Members	
9	Any external bodies / other/s	

F – Risks and any mitigation (if relevant)		
1	Economic	Not applicable
2	Anti-poverty	Not applicable
3	Crime and Disorder	Not applicable
4	Environmental	Any implications for the County Council statutory duties under the Countryside and Rights of Way (CRoW) Act 2000 and the Natural Resources and Rural Communities (NERC) Act 2006 will be considered as projects are developed.
5	Equalities	Not applicable.
6	Outcome Agreements	Not applicable.
7	Other	A formal agreement regarding the terms and conditions of the proposed investment by HNP is currently being prepared and agreed by both parties. Officers from the E&CR (with support from our Legal Services) are contributing to the preparation of appropriate legal documentation in collaboration with HNP.

FF - Appendices:

- Annex A - Amlwch Leisure Centre Renewable Energy Measures – Outline Business Case
- Annex B - IACC Building Energy and Water Saving Policy

G - Background papers (please contact the author of the Report for any further information):

- IACC Corporate Plan 2013-17
- IACC Leisure Function Plan: Responding effectively to the immediate efficiency challenges (2014-2017)
- IACC Community Benefits Contribution Strategy

Annex A
Installation of renewable energy measures at Amlwch Leisure Centre

Outline Business Case

June 2015

Status: Official

Prepared by:

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1. Introduction

Amlwch Leisure Centre is a popular leisure facility run by the Isle of Anglesey County Council (IACC), in 2014/2015 the participation figure for the leisure centre was 146,663. Built in the late 1970s the facility consists of a swimming pool, sports hall, external synthetic 5-a-side court, fitness suite, multi-purpose room, café, crèche, netball pitch and associated playing fields.

Capital improvements to existing facilities are scheduled to be undertaken during 2015-16 to improve the appeal of the Centre and meet the changing needs and expectations of customers.

The Leisure Centre is an important and valuable asset to the town, especially given the lack of similar facilities in the north of the Island.

2. Proposal - Installation of renewable energy measures

Horizon Nuclear Power (HNP) are an UK based energy company that is developing a new generation of nuclear power stations - including Wylfa Newydd. HNP are a wholly owned subsidiary of Hitachi Ltd.

As part of their on-going commitment and support to the local communities surrounding the location of Wylfa Newydd, HNP has approached the IACC and proposed to fund a renewable energy project at Amlwch Leisure Centre. HNP has initiated the project as they recognise the importance of the Leisure Centre to Amlwch, and wish to contribute towards ensuring its future financial and environmental sustainability.

The proposed renewable energy project would include installing solar photovoltaics (Solar PV) to reduce the Leisure Centre's electricity costs, as well as installing biomass boilers to reduce the heating costs. The Leisure Centre's current heating system consists of oil fired boilers, which are inefficient and expensive to run. In addition, the IACC's Property Service has recorded that the boilers are ageing and in a poor condition. Replacing the boilers at Amlwch Leisure Centre would cost the IACC approximately £200,000.

It is anticipated that the renewable energy measures will significantly reduce the Leisure Centre's utility (electricity and oil) costs by 70% (see below). This considerable saving will contribute towards the corporate aim of reducing the costs of the Leisure Function by 60% by 2017 (ref: IACC Corporate Plan 2013-17).

HNP proposes to utilise the UK Government's Feed in Tariff (FiT) and Renewable Heat Incentive (RHI) schemes to refund the costs of the capital investment – which its anticipated to take no longer than 15 years. Once the investment has been recouped by HNP, the IACC would then receive all payments for generating electricity and heat.

The IACC and HNP would classify this investment as an *'in-kind'* Community Benefit Contribution. This is a legitimate type of voluntary contribution from a developer to support the sustainability and quality of life of a community that is hosting a major development that will have a long term impact on local resources and/ or the local environment (as outlined in the IACC's voluntary Community Benefit Contribution Strategy).

A Solar PV Feasibility Study on the County Council's buildings was undertaken in July 2011. The Study noted that Amlwch Leisure Centre would be a suitable candidate for the installation of Solar PVs as it has a large flat roof area predominately facing South, with the potential to consume most of the energy generated on the site.

If the proposed project at Amlwch Leisure Centre proves successful, HNP have indicated a willingness to replicate similar improvements at other IACC buildings.

3. Corporate Priorities

The Corporate Plan (2013-17) identifies the need to transform leisure provision, through reviewing and re-defining the role of sport and leisure on Anglesey, and ensuring that the IACC's leisure offer is both fit-for-purpose and delivering the best value for money. The aim is to reduce costs to the IACC of the existing Leisure provision by 60% by 2017.

The Leisure Function fully recognises that all current running costs must be kept to a minimum through efficient and effective service delivery whilst income levels must grow – reducing the net cost further still. The intention is to provide a quality, customer focused service that maximises income links directly to the aims of the Corporate Plan.

The proposed introduction of renewable energy measures provide a realistic and significant opportunity to contribute towards the reduction in the Function's costs without impacting upon the quality of facilities and activities provided to customers/ service users.

4. Project Objectives

The objectives of the proposed project are to:

- a. Reduce the running costs of Amlwch Leisure Centre (without impacting upon the provision of facilities and activities) by Quarter 1 of 2016-17
- b. Secure the long term financial sustainability of the Leisure Centre through capitalising upon income generation opportunities
- c. Reduce the Leisure Centre's carbon footprint and improving its environmental sustainability by Quarter 1 of 2016-17
- d. Improving the appeal of the Leisure Centre as a modern, fit for purpose facility
- e. Improve collaboration and the development a proactive relationship with a major project developer to capitalise upon all opportunities to deliver benefits for the Island's communities
- f. Conform with recently adopted IACC policies

5. Need for investment

The Leisure Centres' utility costs are high and unsustainable. The current infrastructure is ageing, inefficient and in need of replacement. The costs and frequency of maintaining the oil fired boilers is also increasing. The volatility in the price of fossil fuels also warrants the ambition to introduce renewable energy measures when possible. In 2014-15, the costs of oil and electricity accounted for 19% of the Leisure Centre's total revenue/running costs.

The Leisure Centre's current energy costs are:

Energy Type	Current Annual Cost	Current Annual Energy Use
Oil Fired Boiler	£72,000	389kWh/m2/yr
Electricity	£33,000	90kWh/m2/yr

It is estimated that the proposed renewable energy measures would deliver the following savings/ efficiencies:

Technology	Detail of investment	Anticipated annual cost after investment	Annual Savings
Biomass Boiler	200kW capacity boiler	£20,000	£52,000
Solar PV	250kW capacity Solar PV	£10,000	£23,000

As outlined in the table, the annual oil and electricity costs of Amlwch Leisure Centre would be reduced from circa £105,000 to circa £30,000. This represents a substantial long-term saving at no cost to the IACC. This would result in only 6% of Amlwch Leisure Centre's budget being spent on heating and electric costs compared to 19% of the budget before the changes.

These savings would contribute towards the reduction of the Leisure function's costs by 60% by 2017; as well as act as a pre-cursor to similar schemes at other Leisure Centres – which would help to reduce the net costs of the Function further still.

These estimates will be reviewed and confirmed as part of the detailed design process that will need to be undertaken before work commences.

Until detailed designs are prepared, it is difficult to accurately estimate the payback period for the proposed renewable energy measures, however initial estimates indicate a payback period of between 10 and 15 years.

6. Project Benefits

The anticipated benefits of the renewable energy measures are:

Benefit	Direct	Indirect	Financial	Non-financial
A reduction in the Leisure Centre's energy costs	✓		✓	
Improved energy efficiency and a reduction in the Leisure Centre's Carbon Footprint	✓		✓	
No costs to IACC in terms of replacing existing, and introducing new, energy infrastructure	✓		✓	
Source of income generation (following payback period)	✓		✓	
Improved reputation for Leisure Centre as a modern, energy efficient facility	✓			✓
Securing efficiencies that won't impact upon the provision of leisure facilities and activities for local residents	✓		✓	✓
Opportunity to influence behaviour of customers through increases awareness of renewable energy		✓		✓

7. Nature and Scope of Investment

HNP's investment would be considered as an *'in-kind'* Community Benefit Contribution. In accepting the investment, the IACC would be operating in line with its voluntary Community Benefit Contribution Strategy (endorsed in March 2014).

In-kind contributions are a legitimate type of voluntary contribution from a developer to support the sustainability and quality of life of a community that is hosting a major development that will have a long term impact on local resources and/ or the local environment. Such contributions are not subject to any competitive procurement (i.e. tendering) or commissioning processes.

It should be noted that that voluntary Community Benefit Contributions are not a mechanism to make any proposed development acceptable in planning terms, nor are they taken in to account when determining an application for planning consent. Community Benefit Contributions are completely distinct from, and should be kept separate from, payments or other mitigation secured through the statutory (Town and County) planning process.

8. Project Risks

The following risks (and mitigations) have been identified:

Risk	Mitigation
Failure to secure HNP's financial contribution for the Project	Preparation of legal documentation to secure HNP's ongoing commitment and fully outline the scope and implications of the funding contribution (including regarding maintenance, publicity and any potential penalties should the Leisure Centre close in the future)
Failure to secure IACC Executive Committee support	Preparation of robust (outline) business case
Failure to achieve anticipated reductions in the Leisure Centre's (utility) running costs	Ensure detailed assessment of current energy usage and anticipated savings are undertaken as part of design process
Limited capacity to lead on the Project on behalf of the Service	Identify and allocate specific resource to manage and deliver the activity on behalf of the IACC
Negative public reaction given the involvement of HNP	Prepare and implement positive publicity campaign emphasising positive benefits of Project
Leisure Centre roof unsuitable for photovoltaic installation	Undertake detailed assessment of building as part of design process

9. Options Appraisal

A high level appraisal of all potential options has been undertaken by the Economic & Community Regeneration Service to identify its preferred approach to reducing Amlwch Leisure Centre's utility costs. The appraisal is based on the professional judgement of relevant Service officers, together with consideration of comments and feedback from other IACC officers.

The options that have been identified include:

- Option 1** Do nothing and reject HNP's proposal.
- Option 2** Seek IACC capital funds to replace existing infrastructure and install new renewable energy measures.
- Option 3** Accept HNP's proposal to investment in renewable energy measures.
- Option 4** Seek an alternative partner to provide the investment for the proposed renewable energy measures.

To ensure clarity and consistency, each option has been appraised against the objectives as outlined in Section 4.

Option	Reduction in running costs	Income Generation Opportunity	Reduction in Carbon Footprint	Improved Appeal	Collaboration with Major Developer	Conform with IACC Policies
1						
2						
3						
4						

The Option's Appraisal has identified that **Option 3** as the Service's **preferred way forward**. This option will support and deliver a reduction in the Leisure Centre's running costs within the timescales required to comply with corporate requirements; will provide a new source of income generation (once the investment has been recovered) and will provide an opportunity to develop a long term and proactive relationship with HNP to ensure positive impacts and benefits are realised for the island's communities from Wylfa Newydd.

The other options have been discounted because:

Option 1 This option is clearly unfeasible as it will fail to achieve any of the desired objectives or outcomes.

Option 2 Whilst this option could eventually reduce running costs, the lack of availability in IACC capital funding significantly restricts its feasibility. This option would also restrict any collaboration with HNP (and the positive/ long term benefits this could bring).

Option 4 Whilst other funding partners could be identified, it is unlikely that the improvements would be undertaken within the timescales required to achieve the desired reduction in running costs. It is also uncertain how committed/ open these partners would be to a longer term relationship in order to deliver positive benefits and impacts.

10. Recommendations

It is recommended that the Economic & Community Regeneration Service:

- a. **Secures the support of the Executive Committee to proceed with all design and installation activities**
- b. **Progresses with the design of renewable energy measures at Amlwch Leisure Centre**
- c. **Identifies capacity and capability within existing resources to manage the project**
- d. **Negotiates appropriate terms, conditions and timescales with HNP regarding funding the installation of renewable energy measures**
- e. **Prepares (with support from Legal Services) appropriate legal documentation to underpin the in-kind community benefit contribution**

Annex B

IACC Building Energy & Water Saving Policy – Declaration of Commitment

Isle of Anglesey County Council will:

- 1) Make available sufficient resources at corporate and Service level for the effective management of energy and water.
- 2) Educate and raise awareness of energy and water issues among technical staff and develop Continuing Professional Development (CPD).
- 3) Give priority to reducing energy demand, rather than installing or upgrading heating systems, where practicable to do so.
- 4) Consider energy and water resources when procuring or maintaining plant and equipment (including office equipment) and also when planning new projects.
- 5) Avoid propane gas and heating fuel oil as building energy sources.
- 6) Define roles and responsibilities for energy and water so they can be managed efficiently and establish clear reporting procedures.
- 7) Establish and implement procedures for efficient operation of plant and equipment.
- 8) Establish ownership of energy and water costs at service level.
- 9) Raise awareness amongst employees of good practice regarding energy and water resources.
- 10) Investigate and implement means to purchase energy at the most cost-effective price.
- 11) Investigate external renewable energy sources and, if practicable, purchase a proportion generated from such sources.
- 12) Reduce emissions of carbon dioxide to agreed targets.
- 13) Invest in new technologies, including renewable energy technologies, where this meets investment criteria.
- 14) Develop energy and water efficiency projects and invest in energy and water saving technologies, processes and equipment.
- 15) Report annually on energy and water performance.