

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
2 July 2019

Subject: GROUND SOURCE HEAT PUMPS: PROJECT CLOSURE

All Wards

Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson

1.0 PURPOSE AND BACKGROUND:

- 1.1 This report updates Members on the detailed feasibility study undertaken in relation to the potential introduction of Ground Source Heat Pumps at the Civic Centre and the Council's four leisure centres at Bedale, Northallerton, Stokesley and Thirsk and Sowerby.
- 1.2 An initial assessment had been undertaken of Ground Source Heat Pump technology in October/November 2018 and how it might be utilised at the Council's five largest facilities, the Civic Centre and four leisure centres. This assessment indicated that the Council could through the introduction of Ground Source Heat Pump technology gain an income from the UK Government's Renewable Heat Incentive Scheme over a 20 year period and make revenue savings on expenditure on gas and electric energy consumption for the 20 years of the Renewable Heat Incentive and beyond.
- 1.3 However, it was recognised that more detailed feasibility work would need to be carried out as well as the need to secure the Tariff Guarantee under the UK Governments Renewable Heat Incentive scheme. Cabinet therefore approved the expenditure of £30,000 at its meeting in December 2018 in order for further feasibility work to be carried out and to secure the Tariff Guarantees.

2.0 DETAILED FEASIBILITY STUDY:

- 2.1 The main objectives of the detailed feasibility study were to
 - Confirm the predicted income from tariff guarantees and energy savings from the initial feasibility
 - Consider the lifespan of current plant equipment and whether these are due for renewal as part of the feasibility study
- 2.2 The business case for the project was that the installation of Ground Source Heat Pump systems for the leisure centres and Civic Centre would provide both recurring income over a 20 year period, as well as cost savings through the efficiencies that could be realised with the system.
- 2.3 In terms of the work that took place, the highlights include:
 - Early feasibility work conducted by a Consultant
 - Geology reports were commissioned and received for the sites
 - Audit report for Renewable Heat Incentive application prepared
 - Site visits took place to Epworth Pool and AV Dawson
 - Secured tariff guarantees for all of the sites
 - Appointed Align Property Partners with support from Leeds Environmental Design Associates to carry out feasibility work.
 - A more detailed feasibility study was conducted, which resulted in a high level cost plan.

- 2.4 Bedale Leisure Centre was discounted as an option early on in the study due to the lack of available and suitable space for boreholes. The results for the remaining 4 locations (Civic Centre, Northallerton Leisure Centre, Stokesley Leisure Centre and Thirsk and Sowerby Leisure Centre) showed that the payback period would be 14 years and above. Some of the costs identified in replacing plant and equipment for the Ground Spource Heat Pump Project would be incurred even with the Ground Source Heat Pump project not progressing as these elements are at the end of their lifespan. These costs as well as the finance costs were excluded when calculating the payback period. The payback period was not deemed to be viable and the Renewable Heat Incentive applications were subsequently withdrawn and the reasons explained to OFGEM. OFGEM has reassured the Council that the withdrawal of these applications would not impact on any potential future applications for funding.
- 2.5 The findings from the feasibility study will inform our asset management strategy for the Civic Centre and the leisure centres going forward and will contribute to the development of future projects. The study allowed the Council to develop a much better understanding of its assets and also highlighted areas of improvement from an operational point of view. The cross-departmental approach to the project, resulted in an increase in the knowledge-base with regard to building services across the board.

3.0 LESSONS LEARNT:

- 3.1 A full lessons learnt log has been compiled as part of the project closure. Some of the lessons are specific to Ground Source Heat Pumps while others are in relation to project planning, resourcing and consideration of options. The key lessons included the importance of starting a project with identifying clear objectives and then considering the alternative options going forward. There was significant resource and time pressure to submit an application to OFGEM to secure Tariff Guarantees due to OFGEM's tight timescales. In hindsight, the Renewable Heat Incentive scheme led the project, rather than first gaining a better understanding of our assets and options available on how the Council can deliver improvements to the performance of these assets.
- 3.2 Another key lesson was the value of a review point and limiting expenditure. This allowed for managing the risk of costs spiralling and it resulted in a managed approach of closing the project.
- 3.3 A project closure report and full lessons learnt log was reported to Programme Management Board on 7th May 2019. The lessons were shared and following the meeting are also included as an example in the case studies for the corporate project management documentation.

4.0 LINK TO COUNCIL PRIORITIES:

- 4.1 The scheme was predominantly explored to support the financial sustainability of the Council contributing to income generation for 20 years from the UK Governments Renewable Heat Incentive and contributing revenue savings on energy expenditure on gas and electric for the lifetime of the installations. However, further feasibility work showed that the scheme would not sufficiently underpin the Council's financial sustainability and therefore it did not support the Council's service requirements and did not contribute to the achievement of the priorities set out in the Council Plan.

5.0 RISK ASSESSMENT:

5.1 There are no major risks associated with this report.

6.0 FINANCIAL IMPLICATIONS:

6.1 The Council has spent £29,045 in total on this project. The work has enabled a greater understanding of the Council's asset and its plant and equipment. The total amount spent on the feasibility work and Renewable Heat Incentive application is in line with the report approved by Cabinet in December 2018. The feasibility work has contributed to the condition surveys that are being undertaken for the Council's assets and which will inform the future Capital Programme 2020/21 onwards. Actual costs of £29,045 to date have been transferred to revenue in the year 2018/2019 because they no longer contributed to a specific capital project. The costs have been funded from the underspend in the revenue budget 2018/19.

7.0 LEGAL IMPLICATIONS:

7.1 There are no legal implications arising from this report.

8.0 EQUALITY/DIVERSITY ISSUES

8.1 Equality and Diversity Issues have been considered however there are no issues associated with this report.

9.0 RECOMMENDATIONS:

9.1 That Cabinet approves that:-

- (1) the project is closed due to the long payback period not being financial viable; and
- (2) the costs of £29,045 be transferred to revenue in accordance with paragraph 6.1 of the report; and
- (3) in due course further work will be undertaken to identify the best options going forward in managing the plant and equipment of the Council's assets.

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Background papers: None

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