

Background Information Report

By Head of Finance

The purpose of this report is to update on the options for the replacement of Blairgowrie Recreation Centre. Since the budget for this project was agreed a design process based on the agreed schedule of accommodation has been undertaken. In addition, ambitious targets have been set for the reduction of carbon emissions as a result of Climate Change ([Emissions Reductions Targets \(Scotland\) Act 2019](#)).

A direction on the design specification and climate change ambitions is required to progress the project to the next stage of design, and as a result of the approved Interim Climate Emergency Report and Action Plan approved in December 2019.

1. BACKGROUND

- 1.1 Perth and Kinross Council approved and budgeted for a replacement Blairgowrie Recreation Centre as part of the Capital Budget in February 2019 with an indicative budget of £15.1m.
- 1.2 This project was budgeted for based on a feasibility study including the anticipated accommodation size and relevant building standards at the time of the study. The accommodation's main use is as the Blairgowrie High School's Physical Education (PE) Department accommodation for delivery of the curriculum.
- 1.3 The climate emergency motion unanimously agreed by full Council in June 2019 committed the Council to lead by example in accelerating the transformational change required to address the climate emergency. ([link](#)) and the Council's Interim Climate Emergency Report and Action Plan in December 2019 ([link](#)) included an action to Investigate options and costs for Passivhaus construction methods to achieve energy efficiency and quality in areas such as Learning Estate Projects.

2. CURRENT SITUATION

Design development and options

- 2.1 Options were developed to respond to the climate emergency motion and report which range from a building regulations compliant centre to a Passivhaus option which meets the lowest energy target of 67kwh/m2/annum set by SFT for other school projects. The recent Infrastructure Commission for Scotland report ([link](#)) prioritised a net zero carbon economy and work is underway to develop a new 'Net Zero Carbon' standard by the Scottish Government for all public buildings which directs new buildings towards a Passivhaus or equivalent standard.

- 2.2 The standards set by Passivhaus address issues with energy efficiency by adopting a fabric first approach to make the envelope of the building as simple, airtight and insulated as possible with the highest quality standard of construction. This in turn reduces the primary heat energy demand, reduces CO2 emissions and retains heat within the building. This quality assured process equally benefits the quality of the completed building.

Design Development

- 2.3 During the period of lockdown, the User Reference Group (URG) had designs shared with them via email with feedback being sought on these. Feedback has included comments about the proposals relating to the amount of social space, the inability to use the venue for children's parties and the desire for a six-court hall (as opposed to the proposed four court hall). There would be further significant capital cost beyond the figures in this report to add such scope into the project.
- 2.4 Locating the replacement recreation centre on the planned site ensures that the PE facilities are co-located with the school building. It would also allow any potential replacement secondary school in the future to be built without the need for a decant as the school will remain operational as a new school is built.

Costs

- 2.5 The costs of the project have increased significantly from the initial £15.1m feasibility study. The internal floor area of the building has increased by 898m² (from 3313m²) from sketch feasibility study to current concept design. The main sources of floor area growth are a) internal circulation space growth (design), b) increased changing accommodation and 3) increased plant room space. Latest estimated construction costs have also risen by £1,000 per sqm for the base option.
- 2.6 The table below summarises a base building standard compliant option to a Passivhaus option. All options include the accommodation approved by the Council previously:

	Estimated Capital (£'000) incl PKC internal costs and contingency	Estimated Energy consumption (kwh/m2)	Estimated Annual energy cost (2020 prices)	Estimated Tonnes C02/Annum in year 1*	Notes
Existing Building	N/A	554	£80,603	265	Actual 2019/20 energy costs.
1. Building Standards Compliant (Building Regs plus BB101)	£22,000	387	£69,000	304	
2. Passivhaus	£24,000	221	£55,000	83	

Fuel Sources

- 2.7 Operational carbon is the direct emission from energy consumed. Ambitions of the Scottish Governments Climate Change Plan require 75% reductions on operational emissions from buildings by 2030 and net zero by 2045. Space heating that relies on fossil fuels (gas, oil, coal etc) will likely not receive building standard consent by 2024.

Retrofit

- 2.8 Building to current building standards at lowest capital cost (the base option) will result in the Council looking to upgrade / retrofit energy saving measures before 2045. This will be a growing factor across all our estate. With a 40 year lifespan (for a wet leisure facility) and the obligations on the Council to move the estate to net zero by 2045 a retrofit programme will be required in the future that has been estimated at £7m at present day costs. This retrofitting energy efficiency measures (such as increased insulation, low energy electric heating) in a school / public building in the future will be both technically difficult and disruptive.

40 year lifecycle costs

Existing emissions are 265 tCO₂ per annum.

Option	Capital cost	40 year cost	40 year Energy consumption (kwh)	40 year carbon emissions(tCO ₂)	Annual Yr 1 emissions (tCO ₂)
Base option	£22m	£54.4m	44m	6856	304
Passivhaus	£24m	£52.1m	34m	3320	83
Difference	£2m	(£2.3m)	(1m)**	(3536) (52%***	221 (73%)

*40 year cost: loan charges, life cycle costs, retrofit costs (in year 16), energy costs (all 2020 rates)

** the reduction in kwh consumed is primarily in space heating

***carbon emissions not pro rata to kwh due to different source energy conversion factors, forecast on 2020 conversion factor on electricity.

The Table above shows that an additional single investment of £2m, generates financial savings of £2.3m over 40 years, and reduces carbon emissions by half.

3. FUNDING OPTIONS

- 3.1 It is considered there are no external funding sources for this replacement facility.

4. ASSOCIATED RISKS

- 4.1 The project is still over a year away from a confirmed project cost and signing of Financial Close. There is a risk that during the detailed design process further cost pressure materialises resulting in increased costs, as is the case in all capital projects. The options presented above do not include any COVID-19 impact costs at this time.
- 4.2 Failure to achieve carbon reduction objectives.

5 FINANCIAL IMPLICATIONS

5.1 Capital

The base option would result in estimated additional capital costs of £6.9M. The Passivhaus option would result in estimated additional capital costs of £8.9M.

5.2 Revenue

Both of the options reduce energy costs. For the base option the reduction would be by approximately £11,000 per annum, and the Passivhaus option by £25,000 from existing costs, based on current rates.

6. CONCLUSIONS

- 6.1 The latest projections for the Blairgowrie Recreation Centre replacement is based upon delivering low-carbon energy efficient buildings which are anticipated to be compliant with future Scottish Government standards.
- 6.2 Elected Members are requested to take account of the information contained within this report, and the associated briefing materials, in respect of a decision on the Blairgowrie Recreation Centre. Elected members may wish to give direction in relation to the following, whether::
- (i) Officers progress the new Blairgowrie Recreation Centre project on the basis of the design being the Passivhaus option;
 - (ii) Officers bring back funding solution to Council in 2021 for addressing the Capital Budget shortfall.

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Approved

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Project Summary Sheet

Project Name:	Blairgowrie Recreation Centre
Asset Type:	Building
New recreation centre to replace the existing Blairgowrie Recreation Centre	

Risk Analysis				
	Stop		Pause	Continue
Strategic	Blairgowrie Recreation Centre is the PE facility for Blairgowrie High School -			There is ongoing community engagement as part of the development of the Perth and Kinross Offer. There is a risk that if we do not pause the project until we understand the Offer, we will miss the opportunity to review the purpose and the scope of the project to ensure that the investment is affordable and best meets the needs of all of Blairgowrie, now and in the future.
	stopping the project would increase the risk of losing PE facility due to failure in existing building.		pausing the project would increase the risk of losing PE facility due to failure in existing building.	
	The existing Blairgowrie Recreation Centre does not allow access to all facilities for all potential users -			
	stopping the project will not address the existing building’s lack of adherence to the Equalities Act 2010.		pausing the project will delay addressing the existing building’s lack of adherence to the Equalities Act 2010.	
	The existing Recreation Centre does not fully meet the requirements of the community of Blairgowrie -			The existing Blairgowrie High School is a condition rated B and suitability rated C building, which is likely to need significant medium- and long-term investment. In proceeding with this project there is a risk that the opportunity to take a more holistic approach to redeveloping the site is missed.
	stopping the project would not address this issue		pausing the project would delay addressing this issue	
Legal	No legal risks have been identified with stopping or pausing this project			No specific legal risks identified however as with all projects of this size and complexity, ongoing project risks will continue.
Financial	There has been expenditure on this project relating to the development of designs -			As we continue to experience the economic impacts of COVID-19 we have no definitive understanding of our revenue income streams particularly in the short to medium term. In this situation, there is a risk that we cannot afford to fund this project.
	The Council has spent approximately £300,000 to date developing the project.		depending on how long the project was paused for, could result in additional revenue pressure for the Council.	

Risk Analysis				
	Stop	Pause		Continue
		Increase in project cost as a result of construction inflation. The impact of COVID-19 on construction inflation remains an unknown, however, the Building Cost Information Servicer current assessment of co instruction inflation is:		The project operating model was established before the pandemic. There is a risk that the assumptions in this model are no longer valid in a post-COVID-19 world.
		2021	3.9%	The impact of COVID-19 on the construction sector at this point is unquantifiable. There is a risk that the impact results in significant increase in tender prices resulting in us being unable to afford the project.
		2022	3.8%	
		2023	4.2%	
		2024	4.3%	
Reputational	- This has been a key project for the community of Blairgowrie - Delivering this project is viewed as redressing the inequitable distribution of sports facilities across Perth and Kinross.- - There is ongoing public consultation through the User Reference Group regarding the final design of the Centre; there is a community expectation that the project will be delivered - There has been spend to date on the Project (c.£300K)-		Given the potential opportunities which might emerge from the ongoing community engagement and the delivery of the Perth and Kinross Offer, there is a risk that in only delivering a new recreation centre there is a perception that additional opportunities for development were missed, leading to reputational damage.	
	stopping the project will risk reputational damage for the Council	pausing the project will risk reputational damage for the Council		
Economic	There are positive economic impacts anticipated directly from the construction of the Blairgowrie Recreation Centre project.		No economic risks were identified with continuing the project.	
	if the project is stopped, these will be lost, exacerbating the impact of COVID-19.	if the project is paused these will be delayed, exacerbating the impact of COVID-19.		
Staffing	There are PKC staff funded by the capital plan which includes the Blairgowrie Recreation Centre project		There are no staffing risks associated with continuing the project.	
	Stopping the project may impact on these posts.	Pausing the project may impact on these posts.		