

Appendix 2(ii) – Hetling Spring Borehole

Detailed Information on Capital Projects for Approval

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|---------------------------------------------|-----------------------------------------------|
| Portfolio & Lead Cabinet Member: | Sustainable Development Cllr Cherry Beath |
| Department/Service Area: | Service Delivery |
| Department Contact: | Lead Director: John Betty; Client: Glen Chipp |

Project Description:

Provision of New Hetling Borehole

A new borehole is required to secure and maintain the thermal spring waters of the Hetling Spring in order to ensure the continued and uninterrupted supply of water within the city. The thermal spring waters are fundamental to the tourism economy, and are a significant revenue generating asset for the Council.

This report seeks budget approval for the works that are the responsibility of the Council i.e. ancillary works including headgear and stopping up of the existing borehole, and not the Water Supply Agreement with Wessex Water and their project to drill the borehole.

Financial Summary:

| | Total £000's | 2011/12 £000's | 2012/13 £000's | 2013/14 £000's | 2014/15 £000's | 2015/16 £000's |
|------------------------------------------------|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Project Value | 275 | 225 | 50 | | | |
| Funded by: | | | | | | |
| Government/EU Grant | | | | | | |
| 3 rd Party Contributions | | | | | | |
| S106 Contributions | | | | | | |
| Capital Receipts (inc Right to Buy Receipts | | | | | | |
| Revenue Contribution | | | | | | |
| Service Supported Borrowing | | 225 | 50 | | | |
| Corporately Supported Borrowing | | | | | | |
| Council Net Revenue Cost / (Saving) pa | | 6 | 13 | 18 | 18 | 18 |

Current status in the Capital Programme (agreed in February Budget Report):

This project is included in the Capital Programme in 'italics' and was therefore presented to Cabinet and Council for information / provisional approval as part of the budget report for 2011/12. Provision has been made previously for a cost to the Council totalling £282k, which can now reduce to £275k.

Explanation of Capital Funding:

Service Supported Borrowing – See below

Revenue Implications:

Debt charges increasing over 3 years to £18k per annum (based on 25 year amortisation of the costs) to be financed by Service Delivery (TLC). This commitment is already provided for within the draft Service Delivery / TLC Medium Term Service & Resource Plan.

The Council’s debt charges will be financed after year two of operation by the income generated from supplying thermal waters to the Gainsborough Hotel.

Objectives, Impacts & Justification of Project:

Retention of Spa Water Supply

Council Priorities:

- Building communities where people feel safe and secure
- Sustainable growth

Other Options Considered:

| Options Considered | Reason for choosing preferred option |
|---------------------------|-------------------------------------------------------------------------------------------|
| Do Nothing | Reviewed and considered very high risk and opportunity via Wessex available at this time. |

Key Risks & Mitigating Actions:

| Key Risks to Project | Mitigating Actions |
|-----------------------------|---------------------------------------------------------------------------------------|
| High Contracting Risk | Water Supply Agreement (when signed) gives all risk for drilling to Wessex Water Ltd. |
| Not finding Water | See below for mitigating action |

The risk of not finding the water is a geological and engineering risk which Wessex Water are confident will not materialise. It is a risk which lies with Wessex Water. If water is not found or drilling is abandoned because it appears unlikely that water will be found all abortive expenditure and losses will lie with Wessex Water.

In these circumstances Wessex Water will have the option of calling for a secondary supply from the Cross Bath tube well. The Council may, but only on defined grounds, decline to provide the secondary supply. These grounds are:

- risk to prior uses in the hierarchy of thermal water supply commitments (Roman Baths and Thermae Bath Spa);
- insufficient quality or quantity of supply available;
- risk to the ecology of the Bath Hot Springs;
- risk to public health and safety.

Absent these grounds the Council will be obliged to provide the secondary supply. In these circumstances the Council's financial commitment will be limited to the design costs of the secondary supply connection system. Wessex Water will be responsible for the engineering and civil works costs and in addition for the costs of obtaining any requisite consents including the agreement of the Springs Foundation (if required).

In addition, in these circumstances, the water charges in the first six years will be doubled in order to provide a contribution towards a sinking fund for the Council to meet the cost of drilling a new borehole in the future.

Equalities Impacts and Considerations:

None – for the benefit of the community as a whole.

Other Information & Impacts:

None.