Extraordinary Council Meeting

to be held at the Council Chamber, 32 Civic Drive, Greensborough
on Tuesday 10 June 2025 commencing at 8:00 PM.

Agenda

Carl Cowie
Chief Executive Officer

Friday 6 June 2025

Distribution: Public

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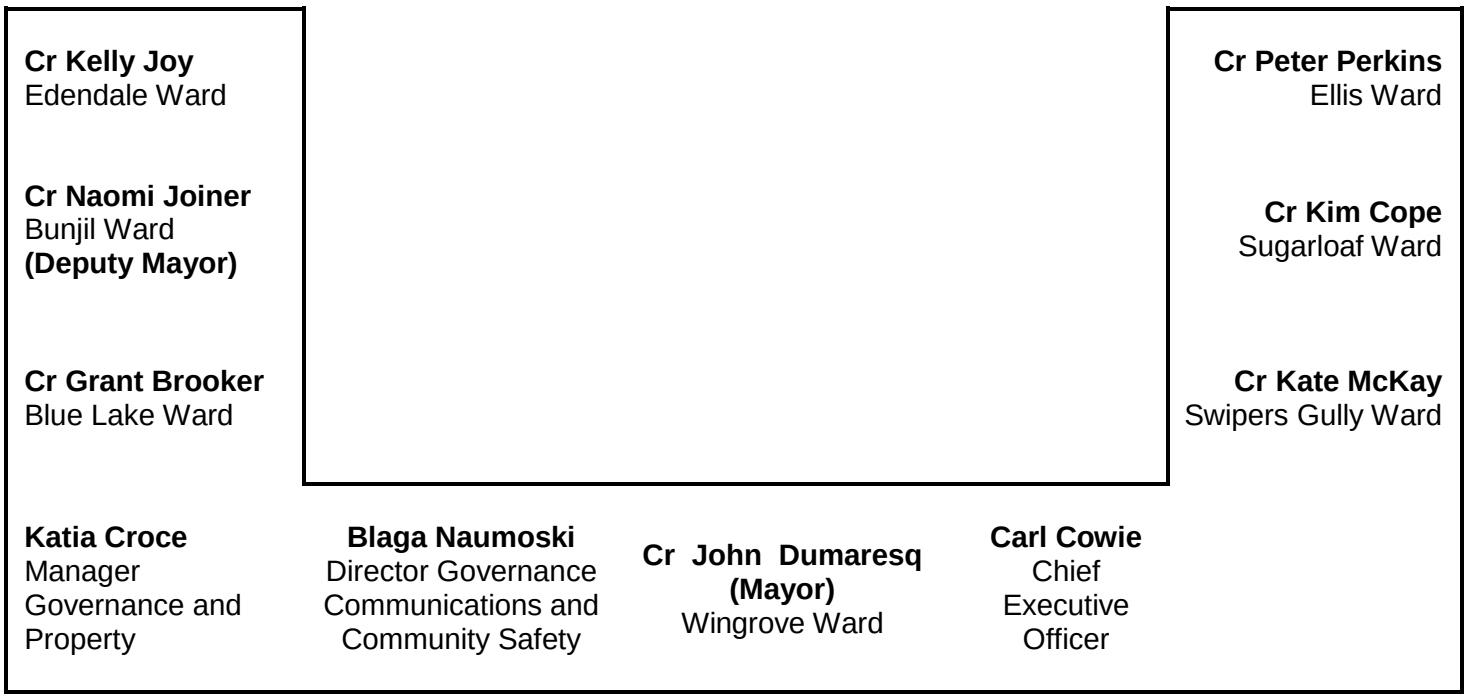
Nillumbik
The Green Wedge Shire

Council Chamber Extraordinary Council Meeting seating plan



Nillumbik Shire Council

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Nillumbik Shire Council

Agenda of the Extraordinary Meeting of Nillumbik Shire Council to be held Tuesday 10 June 2025 commencing at 8:00 PM.

1. Welcome

Members of the public are advised the meeting will be livestreamed and recorded and the livestream and video recording will be made publicly available on YouTube and Council's website.

2. Acknowledgement of Country

Nillumbik Shire Council respectfully acknowledges the Wurundjeri Woi-wurrung people as the Traditional Owners of the Country on which Nillumbik is located, and we value the significance of the Wurundjeri people's history as essential to the unique character of the shire. We pay tribute to all First Nations People living in Nillumbik, give respect to Elders past, present and future, and extend that respect to all First Nations People. We respect the enduring strength of the Wurundjeri Woi-wurrung and acknowledge the ongoing impacts of past trauma and injustices from colonial invasion, massacres and genocide committed against First Nations People. We acknowledge that sovereignty was never ceded.

Wurundjeri Woi-wurrung people hold a deep and ongoing connection to this place. We value the distinctive place of our First Nations People in both Nillumbik and Australia's identity; from their cultural heritage and care of the land and waterways, to their ongoing contributions in many fields including academia, agriculture, art, economics, law, sport and politics.

3. Good Governance Pledge

As Councillors, we are mindful of our civic responsibilities and obligations. We pledge to take them seriously, and to carry them out with diligence and integrity.

We know the decisions we take will affect the people and environment of Nillumbik, now and in the future. We undertake, therefore, to make sound and principled decisions of lasting value, in a spirit of fairness and for the good of all.

We also pledge to serve the needs and wellbeing of the community and the environment, in an open and honest manner and to the best of our abilities.

4. Apologies/ Leave of Absence

Council to note any apologies by Councillors not in attendance and or consider requests for any leave of absence submitted.

5. Declarations of conflicts of interest

Councillors should note that any conflicts of interest should also be disclosed immediately before the relevant item.

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6. Officers' reports

CM.075/25 Community Energy Upgrades Fund Round 2 - Eltham Leisure Centre Electrification

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Distribution: **Public**

Manager: **Claire Quinlan, Chief Operating Officer**

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Summary

The Community Energy Upgrades Fund (CEUF) Round 2 is a federal initiative designed to support local governments in Australia with energy efficiency and electrification upgrades for their facilities to reduce greenhouse gas emissions. It offers up to $2.5 million as 50% matched co-funding.

The Eltham Leisure Centre (ELC) is Council's most emissions-intensive asset. It is responsible for 35% (1992 tonnes of CO_{2e} in FY23/24) of Council's annual Scope 1 and 2 greenhouse gas emissions. The gas plant, installed in 2018 with a remaining 5-6 years expected useful lifetime based on its current (May 2025) condition, is currently responsible for 10% of Council's emissions alone and can feasibly be upgraded to an efficient electric heat pump enabling future zero-emissions operation.

The Opinion of Probable Cost (OPC) for this upgrade is $4.983 million based on a design and construction program between 2026 and 2028.

A CEUF grant would reduce the CAPEX cost of electrification of heating at ELC by 50%. In addition, the electrification upgrade is expected to reduce ELCs ongoing energy OPEX costs. In the first year, electric heating would deliver an estimated energy cost saving of $177,174. (2028/2029). The predicted savings increase annually as gas prices are expected to rise more than electricity in the future (4% vs 2%).

Over the 15-year predicted asset lifetime, Lifecycle Costing Analysis (LCA) factoring in CAPEX, OPEX, loan interest, and inflationary costs predicts a 7-8-year payback period and an overall cost saving of $5.0 million compared with a fully Council-funded (no grant) upgrade by 2030/31 when the current gas boilers need replacing.

In 2030, replacing the gas boilers with new like-for-like gas boilers may or may not be a viable option, depending on regulatory reforms stemming from the Victorian Government’s Gas Substitution Roadmap. If gas replacement is an option, whilst the estimated new gas boiler CAPEX cost is only $312,558 (2030/2031) and could be funded from Council’s programmed CAPEX renewal budget. Due to increasing gas prices, the LCA predicts that this option would result in an additional overall capital and operational cost of $2.0 million.

Upgrading the gas heating plant to electric directly supports Goal 1 of Council's Climate Action Plan 2022–2032, which aims to reduce Council's direct contribution to climate change by achieving net-zero emissions by 2032 and delivers ongoing operational cost savings.

This report seeks councillor support to apply to the Community Energy Upgrades Fund Round 2 for funding for 50% of the project costs of the electrification of the gas plant at the Eltham Leisure Centre, and commitment to obtaining a loan from the Treasury Corporation of Victoria (TCV) for the remaining 50% of funds ($2,491,500) if the grant application is successful.

6. Officers' reports

CM.075/25 Community Energy Upgrades Fund Round 2 - Eltham Leisure Centre Electrification

Recommendation

That Council:

1. Endorses a decision to apply to the federal Community Energy Upgrades Fund Round 2 grant program for funding to electrify the Eltham Leisure Centre, noting that a 50% Council funding co-contribution is required.
2. Authorises the Chief Executive Officer to sign the Community Energy Upgrades Fund Round 2 Funding Agreement should the grant application be successful.
3. Authorises the Chief Executive Officer to obtain a loan from the Treasury Corporation of Victoria (TCV) for the remaining 50% of funds ($2,491,500) should the grant application be successful.
4. Makes public the decision regarding the grant application and loan commitment, but the *Eltham Leisure Centre Electrification Concept Report* (**Attachment 1**) remain confidential on the grounds specified in the definition of confidential information in section 3(1)(a) of the *Local Government Act 2020*.

Attachments

1. Eltham Leisure Centre Electrification Concept Report - *CONFIDENTIAL*

Discussion

Background on Community Energy Upgrades Fund (CEUF) grant program

1. The Community Energy Upgrades Fund is a targeted, competitive grant program that provides co-funding for energy upgrades at existing local government facilities. The program aims to help local governments make their facilities more energy efficient, cut their emissions and reduce their energy bills.
2. The program delivers $100 million of funding over two rounds from 2024-2028.
3. Round 2 of the grants is currently open for submission. $50 million of funding is available in Round 2. This is the final round.
4. Councils can only receive funding once for a grant value between $25,000 and $2,500,000 to cover up to 50% of eligible expenditure.
5. Of the 15 Victorian Councils successful in CEUF Round 1, 11 are undertaking aquatic centre electrification projects, with a combined value of $20.6 million from an awarded $21.9 million.
6. By comparison, Council applied to the CEUF Round 1 for $376,500 (50% of project costs) of funding for the '*essential upgrades to the energy infrastructure of Nillumbik's Recycling and Operations Centre that are required to transition council plant, fleet and operations to zero emissions*'.

7. The proposed project encompassed an electricity supply upgrade from 160A to 400A; new electrical main switchboards, distribution boards and wiring with capacity for all future EV charging loads across the depot site, including all light and heavy vehicles and plant equipment; five electric vehicle charging points of varying charging speeds (7-50 kW) and 161 kW of new rooftop solar PV.
8. The application was assessed as suitable as it scored at least 50 % against each assessment criterion; however, the aggregate score was below the threshold at which the round 1 funding was exhausted and hence, was unsuccessful.
9. Round 2 applications are open from 4 March 2025 to 13 June 2025, and grants are expected to be awarded by November 2025.
10. The maximum project duration is 24 months, and projects must be completed by 31 March 2028.
11. Councils can only submit one application in Round 2.
12. Councils unsuccessful in Round 1 can re-submit the same project but are encouraged to address any identified weaknesses in their original applications as the grant guidelines state 'If a new application is substantially the same as a previous ineligible or unsuccessful application, we may refuse to consider it for assessment'.
13. Eligible applications are assessed based on how well they meet the grant criteria, how they compare to other applications and whether they provide value for money. The value for money assessment will have regard to the objectives of the grant, evidence demonstrating how the project will meet those objectives, the relative value of the grant sought, the geographic spread of projects and geographic alignment with identified government priorities.
14. The four assessment criteria are:
    - Describe how your project will reduce local government greenhouse gas emissions and/or provide load flexibility (30%).

      You must demonstrate this through:

      - explaining how impactful your project will be in relation to energy efficiency, load flexibility, electrification and/or emission reductions
      - explaining how your project will reduce your own operational costs, and costs of other local governments in the longer term
      - providing calculated energy savings, emissions reductions and load flexibility capacity utilising the abatement calculator on business.gov.au.

- Wider impact of the grant funding (20%).

  You must demonstrate this through identifying:

  - how your project builds the capability and skills of local governments and the wider community to undertake energy upgrades. For example, implementing projects not typically undertaken by local governments in your region/situation due to unfamiliarity/perceived risk, and in so doing providing an example that can be followed by others
  - explaining how you intend to share your knowledge from the project for local government and community benefit.

- Capacity, capability and resources to deliver the project (30%).

  You must demonstrate this through:

  - detailing the technical feasibility of your project
  - submitting a project plan

- Economic and social benefits (20 points).

  You must demonstrate this through identifying:

  - the impact of grant funding on your project. You should include information relating to impact on your local community, project site and your project's viability without grant funding including specific reference to the location of your community (rural, regional, remote) and its financial resourcing.
  - any broader regional, social, economic and environmental benefits of your project.

Background on the Eltham Leisure Centre Electrification project

Council's Climate Action Plan 2022-2032

15. In 2022 Nillumbik Shire Council acknowledged and responded to the clear evidence that climate change is occurring, that its impacts are already being felt by the Nillumbik community, and that urgent mitigation and adaptation action is required to limit further climate change and greater impacts.

16. The response included the declaration of a climate emergency and endorsement of Nillumbik's Climate Action Plan 2022-2032 (the CAP).

17. During community consultation for the CAP, more than three-quarters of the statistically representative random telephone survey (79.3%) respondents were "quite" (33.6%) or "very" (45.7%) concerned about climate change.

18. Of these telephone survey respondents, 70% believed that Council should set the same target of net zero emissions by 2030 for its own operations as the state government has set for their operations.

19. An additional 18.5% of respondents believed that Council should set a higher target, with net zero emissions by 2025 the most common alternative target.

20. Subsequently, Council endorsed Goal 1 of the CAP, to reduce Council's direct contribution to climate change and set a target of net-zero emissions for Council operations by 2030.

Council's emissions profile

21. Council calculates and reports on its greenhouse gas emissions annually.

22. This information drives the strategic approach to emissions reduction projects required to achieve net zero emissions.

23. The Eltham Leisure Centre (ELC) is Council's most emissions-intensive asset. It is responsible for 35% (1992 tonnes of CO2e in FY23/24) of Council's current annual Scope 1 and 2 greenhouse gas emissions. The gas portion represents 10% of Council's current emissions (*Figure 1*).

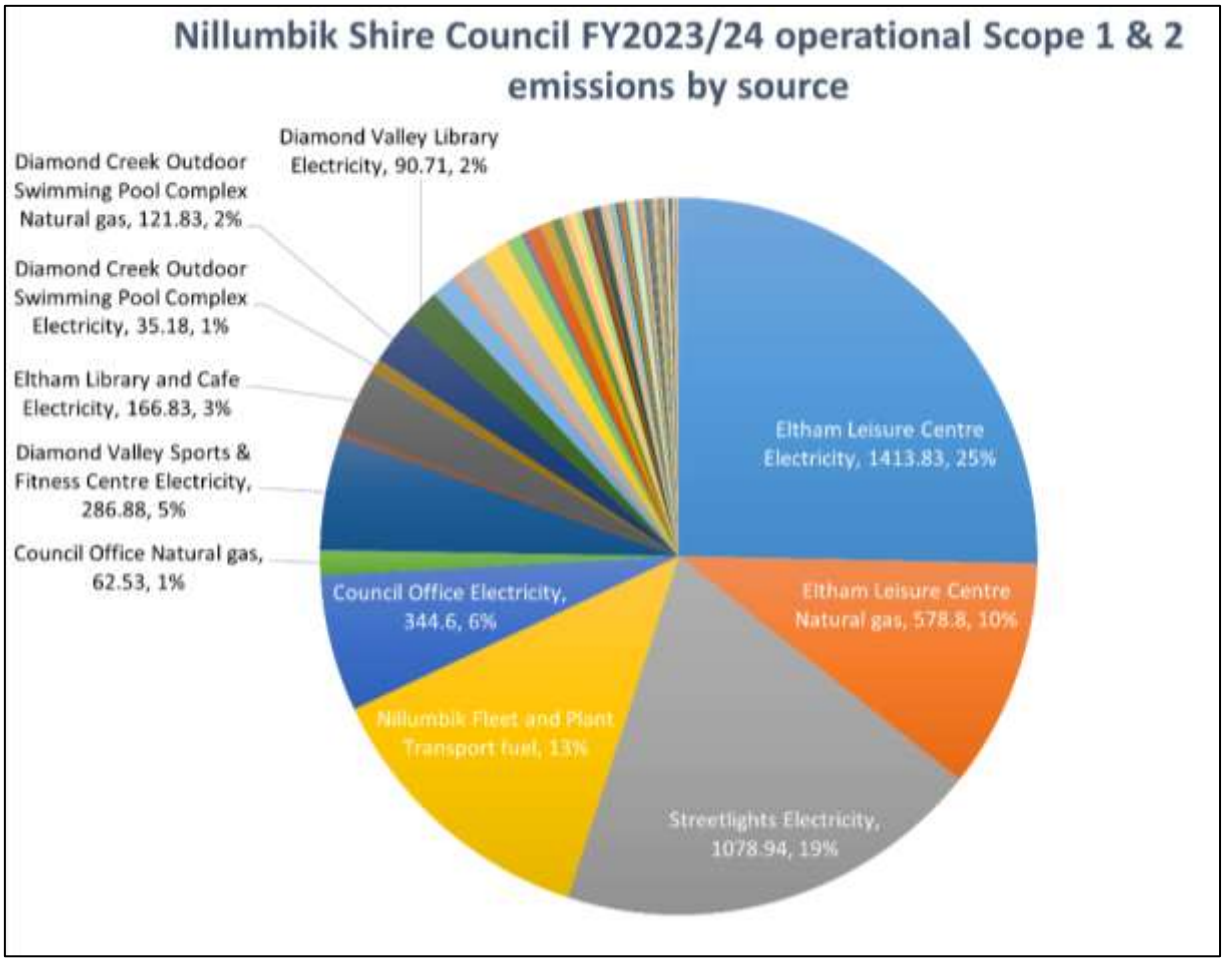


Figure 1: Nillumbik Shire Council FY2023/2024 Scope 1 and 2 (Energy) GHG Emissions by source. Labels specify: facility/activity source and energy type, greenhouse gas emissions in tonnes of carbon dioxide (equivalent), percentage of total scope 1 and 2 emissions.

24. In Year 1 of The CAP implementation, Council commissioned a Net Zero Emissions Roadmap, which identified and planned the activities required to reach Councils target of zero emissions by 2030.

25. The procurement of renewable electricity and the conversion of natural gas and transport fuel energy sources to electric were identified as key to achieving net zero emissions, alongside asset energy-efficiency upgrades that reduce overall energy needs. Progress to date on the highest impact activities includes:

    - At the 26 March 2024 Council Meeting, Council agreed to enter into a Renewable Energy Supply Agreement (RSEA) via the local government Victorian Energy Collaboration (VECO) group to procure 100% renewable electricity. From 1 July 2024 select Council sites (to avoid contract early exit fees) transitioned to 100% renewable power under this contract.
    - From 1 July 2025, when Council's existing small-site brown-power retail contract expires, and from 1 January 2026, when Council's existing large-site brown-power contract expires, all of Council's remaining small and large-site electricity accounts, including street lighting, will also transition to VECO.
    - From 1 January 2026 all Council's electricity will be supplied by 100% renewable electricity with zero emissions value (This does not include electricity paid for by tenants of Council facilities).
    - Council undertook a detailed feasibility study to transition all light and heavy fleet and plant at the Operations Centre from fossil fuel power to electric. This was the basis of the CEUF Round 1 application. Whilst the application for grant funding was unsuccessful, the path to electrification is known; the works are essential and are considered achievable. This work will need to be budgeted for and completed in the next few years.
    - Discussions with Aligned Leisure, Council's contracted leisure facilities manager, are underway to arrange the procurement of 100% renewable electricity for Council's leisure facilities.

- During the April to November 2025 cool-season closure of the Diamond Creek Outdoor Pool (DCOP), the gas heating plant at the DCOP will be replaced with an efficient electric heat pump, eliminating Council's second-largest source of emissions from natural gas (15%, Figure 2).

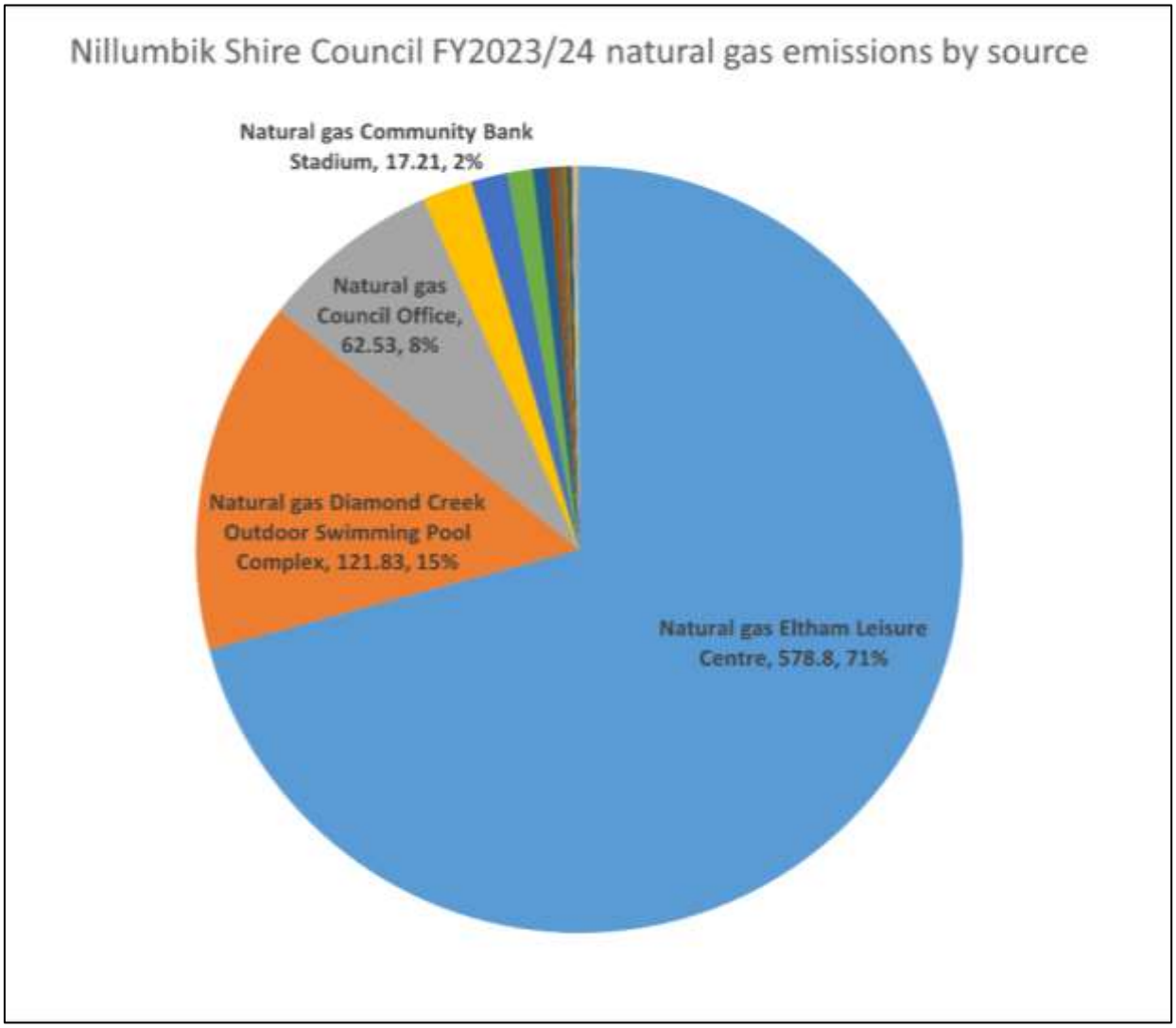


Figure 2: Nillumbik Shire Council FY2023/2024 GHG emissions from natural gas by source. Labels specify: energy source, facility, greenhouse gas emissions in tonnes of carbon dioxide (equivalent), percentage of total gas emissions.

26. The Eltham Leisure Centre is currently responsible for 71% of Council's emissions from natural gas (Figure 2); this will increase to 83% once the DCOP is electric in 2026.

27. Once all electricity (including tenants) is sourced through 100% renewable purchase agreements, the DCOP is all-electric, and fleet and plant assets are transitioned to electric, natural gas consumption will constitute the major source of Council's emissions, and notably emissions from the ELC gas plant will be almost five times the emissions from all other Council gas assets combined.

28. For any remaining emissions not yet mitigated at 2030, Council can purchase 'carbon offsets' to achieve net zero emissions.

29. The cost of offsets varies considerably. Currently, international offsets are around $5/t CO2e, or $35/t CO2e for offsets funding Australian projects. Forecasting offset costs is challenging. The current estimate for Australian Offsets at 2030 is between $35-$75/t CO_2e.

30. At a conservative offset cost of $35/t in 2030, the annual offset liability for the emissions from natural gas at the ELC would be $20,265.

31. As fleet and plant vehicles will likely only be upgraded to electric at the time of scheduled renewal, it is expected that transport emissions will still exist in 2030. Offsets would also need to be paid for the remaining fleet emissions in 2030 to achieve net zero emissions.

Eltham Leisure Centre gas heating plant

32. ELC currently uses gas boilers as a central component in the mechanical systems located in the rooftop plant room to heat the pool water and pool hall air. Boilers provide heating only; there is no cooling in the pool hall.

33. The boilers were installed in 2018 during the Eltham Leisure Centre wet area redevelopment and became operational on 22 September 2018.

34. There are two gas boilers to provide redundancy; only one boiler runs at a time. Each boiler is rated to 800 kW of heating output, which is the peak demand required to provide sufficient air and pool water heating for the site.

Figure 3: The two rooftop gas boilers at the Eltham Leisure Centre.

35. Automatic Heating, the original supplier of the gas boilers, assessed the boiler condition in May 2025 and estimated the remaining useful life to be 5-6 years for both boilers.

36. To avoid unacceptable failure of the heating at the ELC, boiler replacement should be scheduled for no later than 2030/2031, based on this condition assessment.

37. The assessment considered the current physical condition, operational history, historical maintenance regime and site conditions, which can affect corrosion, mechanical wear, thermal stress and overall deterioration of the plant equipment.

38. The ELCs current annual cost of natural gas consumption for heating is approximately $287,526 ex-GST (*Figure 4*). This value fluctuates depending on weather conditions, gas prices and facility utilisation.

Energy Source	Average Bought Energy (kWh)	Annual Energy Cost
Natural Gas	3,806,818	$287,526

Figure 4: Eltham Leisure Centre annual natural gas energy consumption and cost (Source Beca ELC electrification feasibility study 2025).

39. Gas prices are currently more volatile than electricity and are expected to increase more than electricity in the future.

Option to replace gas boilers with new gas boilers at renewal

40. The Victorian Government's Gas Substitution Roadmap is driving the transition from gas to electric energy sources to reduce emissions and energy bills.

41. So far, legislative updates have banned new gas connections for residences requiring planning permits, as well as for new state and local government community infrastructure.

42. The Victorian Government's Building Electrification Regulatory Impact Statement (RIS) is due for release in 2025, and the resulting regulatory reforms will be implemented in 2026. Four reform options for the phase-out of gas in residential and commercial buildings were presented during consultation in early 2025. Option 2 includes the mandatory electrification of existing commercial buildings. Whilst this is not listed as the preferred option by the state government in the RIS, it is a possible option. Further, it is possible that government buildings could be subject to an earlier phase-out, as is currently the case for new government builds.

43. If gas replacement is an option in 2030/31, the like-for-like supply and installation cost to replace both boilers and required pumps is estimated at $312,558 (FY 2030/2031 predicted cost).

44. Replacement of the existing gas boilers with new gas boilers does not meet the objectives of the endorsed Climate Action Plan 2022-2032.

Feasibility and Concept design for electrification

45. Beca Pty Ltd were selected as the successful consultant from the ELC Electrification Feasibility Study RFQ based on their aquatic centre expertise, proven track record of similar projects in cool climates that have performed as designed, the success of Beca projects in Round 1 of the grants and the high level of modelling and detail able to be delivered in time for the grant submission.

46. The Eltham Leisure Centre Electrification Concept Report (**Concept Report**) **(Confidential - Attachment 1)** forms the technical basis of the project and grant application. Beca are also co-writing the grant application which must be submitted prior to 5 PM on 13 June 2025.

47. The Concept Report development process included:

- Assessment of existing site, including opportunities and modelling of current heat loads
- Technology options analysis, including key strengths and weaknesses. Technology options are:
  - Energy source options: water (sewer pipe) or air
  - Heated temperature: High (match existing), Low (requires new pipework)

Key strengths and weaknesses of the potentially suitable options are summarised in *Table 1*. Shading indicates strengths to weaknesses (green to red).

Table 1: Summary of key technology differences relevant to decision-making for the Eltham Leisure Centre Electric Plant. Additional differences exist but are less impactful for this site, or risks can be more easily managed.

Key Property	**Option 1** High-temp Water-source	**Option 2** High-temp Water-source + Air source	**Option 3** Low-temp Water-source	**Option 4** Low-temp Air-source
Energy Efficiency (COP) (higher number indicates lower energy bills)	2.75	2	4.5	3.25
Alteration of pipework required	No	No	Yes	Yes
Space requirement	Small	Large	Small	Medium
Installation Cost	Medium	Medium	Highest	Lowest
Asset life	15-25 years	15-25 & 10-25	15-25 years	10-15 years
Maintenance challenge	Moderate	Moderate	Moderate	Low
Shutdown period	Short 4-6 weeks	Short 4-6 weeks	Short 4-6 weeks	Short 4-6 weeks
Local contractor experience	Some	Some	Some	Common

**There is a higher level of cost uncertainty for water source heat pumps due to limited Australian examples, the involvement of a third party (Yarra Valley Water) and the suitability of the water source (sewer pipe).*

- High-level comparison of opinion of probable cost and lifecycle costing of options
- Selection of Option 4 as the optimal technology based on:
    - Locally and internationally proven technology (least technology and construction contractor capability risk)
    - Best CAPEX cost certainty
    - Higher level of technical feasibility demonstration deliverable within the grant timeframe (Assessment Criteria 1 – 30%).
    - Significant operational energy cost savings
    - Best lifetime cost ROI with the shortest payback period

- Ease of co-benefit realisation: pool hall cooling to improve patron comfort and staff WHS outcomes during summer (pool hall can reach 35° C), and/or expansion to provide lower cost heating and cooling infrastructure to dry areas when existing PAC A/C units reach end-of-life (1x2032, 2x2034 if achieving rated 15 years).

48. During the detailed design stage of the project, the advantages and disadvantages of retaining the existing boiler as a 'back-up' heating source during the first year of electric operation will be considered. It is possible to retain a gas boiler for this purpose if desired.

49. At the end of asset life, the estimated replacement cost for the Option 4 heat pumps and circulation pumps is approximately $700,000 (2025 cost). The remaining capital expenditure for electrification does not require any/regular renewal, e.g. AusNet supply upgrade ($750K), main switchboard ($250K), new pipework, etc.

50. Varied approaches have been taken by other Councils as:

- Priorities differ; some Councils need to overcome facility design limitations, issues such as corrosion, space, noise etc or design a system for ease of expansion due to expected facility expansion.
- The Round 1 grants appear to have rated 'innovative' technologies highly, so Council's with higher risk appetites are trialling newer/less common approaches.
- Option 4 is the most widely utilised technology for aquatic centres at this time and is currently considered the 'standard' electrification option.

Financial considerations of electrification

51. As per the Concept Report, the Opinion of the Probable Cost for the project is $4,983,000 ex-GST. This cost includes:

- All construction-related costs, including supply and installation of all parts and the upgrade of the electricity supply authority (AusNet) and main switchboard.
- 20% for professional services, including detailed design, tender specifications, owner's engineer, quality assurance and project management.
- 8% inflation based on the expected project tender date (August 2026) and
- 10% contingency

52. In the first year, electric heating would deliver an estimated energy cost saving of $177,174 (2028/2029). The predicted savings increase annually as gas prices are expected to rise more than electricity in the future (4% vs 2%).

53. There are no other currently known opportunities to source grant funding for this project. Suitable grants may be available in the future, however this cannot be guaranteed and the maximum funding value could differ. Given the need to replace the boilers by 2030/2031, an expected 24 month project timeframe, and the time needed for grant applications and assessments, a grant funding opportunity would be required no later than early FY 2027/2028.

54. The estimated costs associated with the borrowing of the portion of the project Council would be required to fund under the CEUF grant (50%), are outlined in the table below (based on current interest rates).

Loan Amount	**$2,491,500**	
Loan Term	10 Years	
Interest rate	4.84%	TCV - 22 May

Year	Financial Year	Interest	Principal	Principal and Interest	Ending Balance
1	2026-27	$116,101	$198,608	$314,709	$2,292,892
2	2027-28	$106,283	$208,426	$314,709	$2,084,466
3	2028-29	$95,979	$218,730	$314,709	$1,865,736
4	2029-30	$85,166	$229,543	$314,709	$1,636,193
5	2030-31	$73,818	$240,891	$314,709	$1,395,303
6	2031-32	$61,910	$252,799	$314,709	$1,142,503
7	2032-33	$49,412	$265,297	$314,709	$877,207
8	2033-34	$36,297	$278,412	$314,709	$598,795
9	2034-35	$22,533	$292,175	$314,709	$306,619
10	2035-36	$8,089	$306,619	$314,709	$0
TOTAL		**$655,589**	**$2,491,500**	**$3,147,089**	

55. An analysis of escalation impacts was also prepared should the project not be delivered within the 2027/28 financial year. These projected project costs are based on an estimate of 5% p.a. escalation.

56. While 5% escalation is currently recommended by our Capital Works and Finance teams, there is a risk that escalation rates will be higher.

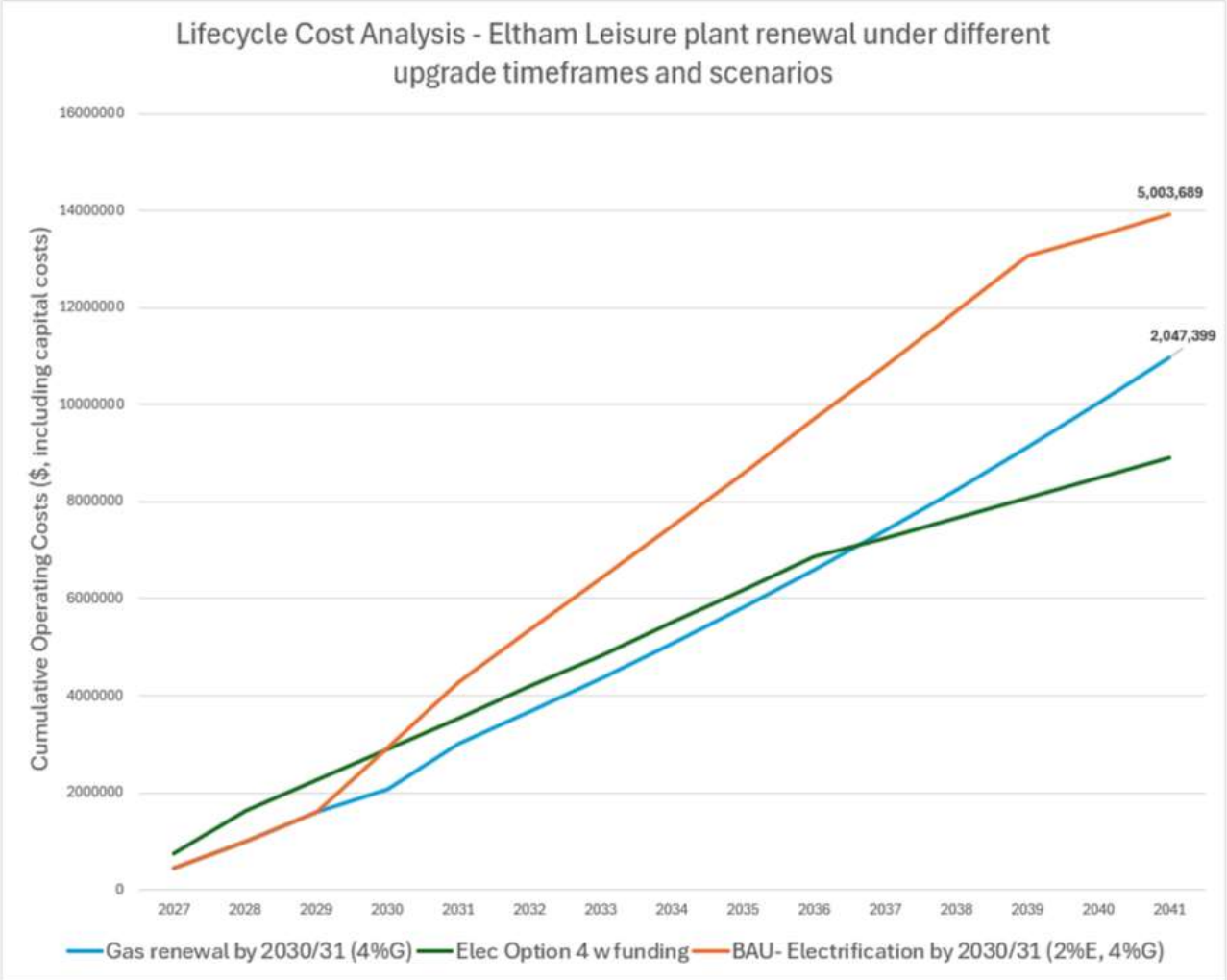
57. The estimated costs associated with borrowing 100% of the project costs in 2029/2030, to replace the boilers by the expected end-of-life in 2030/2031, are outlined in the table below (based on current interest rates).

Loan Amount	**$5,768,445**	
Loan Term	10 Years	
Interest rate	4.84%	TCV - 22 May

Year	Financial	Interest	Principal	Principal + Interest	Ending Balance
1	2029-30	$268,803	$459,827	$728,630	$5,308,619
2	2030-31	$246,071	$482,558	$728,630	$4,826,060
3	2031-32	$222,215	$506,414	$728,630	$4,319,646
4	2032-33	$197,180	$531,449	$728,630	$3,788,197
5	2033-34	$170,908	$557,722	$728,630	$3,230,474
6	2034-35	$143,336	$585,294	$728,630	$2,645,181
7	2035-36	$114,402	$614,228	$728,630	$2,030,953
8	2036-37	$84,037	$644,593	$728,630	$1,386,360
9	2037-38	$52,170	$676,459	$728,630	$709,901
10	2038-39	$18,729	$709,901	$728,630	$0
TOTAL		**$1,517,851**	**$5,768,445**	**$7,286,306**	

58. If gas like-for-like replacement is a legally allowable option for Council in 2030/2031 the estimated CAPEX cost is $312,558, which could be funded from the programmed capital works renewal budget.

59. The figure below shows the LCA costs, including loan repayments (where applicable), for the scenarios of 50% co-funded electrification in 2027/2028, 100% Council-funded electrification (by 2030/2031) and gas replacement (by 2030/2031). The assumptions used in these calculations are: 2% p.a. increase in electricity prices, an increase of 4c to the gas rate in 2028, 4% increase p.a. in gas prices and all maintenance costs, 5% escalation p.a. for capital costs. The labelled value is the additional cost incurred for that option, above the cost of electrification in 2027/2028 utilising the 50% grant co-funding.



Considerations to inform decision making

60. The table below summarises the key considerations in assessing the options available to Council for the renewal of gas infrastructure at Eltham Leisure Centre.

	Gas replacement by 2030/31	**Electrification in 2027/28**	**Electrification by 2030/31**
Likelihood of grant funding	Unlikely	Opportunity for 50%	Uncertain
Capex risk	Like-for-like replacement poses low risks at present but gas boilers may become less common	Some as concept design is not a detailed design which offers greater certainty	More detailed design possible
Escalation risk	Moderate volatility	Escalation of 8% included + 10% contingency	Volatile
Technical risks	VicGov phasing out use of gas means this option may not even be possible for an LGA	Early adopter in Australia but proven technology	As the technology develops and more projects are completed, the industry will have more clarity on the risks and opportunities of the technology.
Impact of carbon offsets	Carbon offsets will be expected to be paid	Avoid offsets	May need to pay offsets for 29/30 and some portion of 30/31
Energy prices	Predicted to increase most	Predicted to increase least	Higher gas costs until 2030/31 then predicted to increase least
Operational savings/ other benefits	No opportunity	Opportunity for cooling + dry spaces at end of HVAC asset life 2032/34	Opportunity for cooling + dry spaces at end of HVAC asset life 2032/34
Reputational considerations	Councillors to consider the sentiment of their constituents	Councillors to consider the sentiment of their constituents	Councillors to consider the sentiment of their constituents

6. Officers' reports

CM.075/25 Community Energy Upgrades Fund Round 2 - Eltham Leisure Centre Electrification

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Related Council decisions

61. Council endorsed its Climate Action Plan 2022-2032 at the 26 April 2022 Council Meeting, with a target to achieve net zero emissions for Council operations by 2030.

Options

62. Submit an application for funding to the Community Energy Upgrades Fund Round 2 grant program for 50% of the costs for the electrification of the Eltham Leisure Centre.

63. Do not submit an application to the Community Energy Upgrades Fund Round 2 and instead develop an alternative funding approach for the renewal of gas infrastructure at Eltham Leisure Centre by 2028.

Council plans and policies

64. This report directly supports the achievement of the Council Plan 2021-2025 strategy:

- We work proactively to reduce Council's direct contribution to climate change, and support our community to do the same.

65. This report directly supports the achievement of the Climate Action Plan 2022-2032:

- Goal 1 – Council Mitigation Reduce Council's direction contribution to climate change: Target of net zero emissions by 2032

Access, Equity and Inclusion

66. Not applicable

Sustainability implications

67. Economic Sustainability: A Community Energy Upgrades Fund grant would reduce the CAPEX cost of electrification of heating at the Eltham Leisure Centre by 50%. In addition, the electrification of natural gas use is expected to reduce the Eltham Leisure Centre's energy OPEX cost.

68. Climate Change: The Eltham Leisure Centre is Council's most emissions-intensive asset. It is responsible for 35% (1992 tonnes of CO2e in FY23/24) of Council's annual Scope 1 and 2 greenhouse gas emissions. Of this, 578.8 tonnes of CO2 are from natural gas, representing 71% of Council's annual emissions from natural gas.

Community engagement

69. Community consultation for the Climate Action Plan 2022–2032 demonstrated the Nillumbik community's overwhelming support for Council to endorse climate action targets.

- More than three-quarters of the random telephone survey (79.3%) respondents were "quite" (33.6%) or "very" (45.7%) concerned about climate change.
- Seventy percent of random telephone survey respondents believed that Council should set the same target of net zero emissions by 2030 for its own operations as the state government has set for their operations.

- An additional 18.5% of respondents believed that Council should set a higher target, with 2025 the most common alternative target

Innovation and continuous improvement

70. One of the requirements for funding under the CEUF is to demonstrate "how your project builds the capability and skills of local governments and the wider community to undertake energy upgrades. For example, implementing projects not typically undertaken by local governments in your region/situation due to unfamiliarity/perceived risk, and in so doing providing an example that can be followed by others".

71. The electrification feasibility study details the innovations delivered in the designed solution, as well as innovative solutions investigated, including:

- Emerging high and low temperature and natural refrigerant heat pumps
- Thermal energy recovery from wastewater
- Potential for improved heating, ventilation and air-conditioning (HVAC) efficiency

Collaboration

72. Other Councils that have completed aquatic centre energy efficiency and electrification projects, or were successful in receiving funding in Round 1 of the CEUF, have provided advice, lessons learnt and copies of relevant documentation to council officers to assist in the preparation of a robust electrification design and grant application.

Budget considerations

73. Grants range from $25,000 to $2.5 million, covering up to 50% of eligible project costs. The total project cost is estimated at $4.983 million. If Council applies, a matching amount of $2,491,500 will need to be funded through borrowings.

Relevant law

74. Under Section 9 of The Local Government Act 2020 (Vic)

"(1) A Council must in the performance of its role give effect to the overarching governance principles.

(2) The following are the overarching governance principles—"….

"(b) priority is to be given to achieving the best outcomes for the municipal community, including future generations;

(c) the economic, social and environmental sustainability of the municipal district, including mitigation and planning for climate change risks, is to be promoted"

Regional, state and national plans and policies

75. This project directly supports the achievement of the Australian Government's emission reduction targets of 43% by 2030 and Net-Zero emissions by 2050.

76. This project directly supports the achievement of the Victorian Government's emission reduction targets of 45-50% by 2030, 75-80% by 2035 and net-zero emissions by 2045

Conflicts of interest

77. All officers involved in the preparation of this report have made a declaration that they do not have a conflict of interest in the subject matter of this report.

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7. Close of Meeting