

**Officer Delegated Decision XX May 2019**

Extension of Phase 1, Essential Repairs Contract to Facilitate Urgent Boiler Upgrade at Brixton Recreation Centre

**Wards:** Coldharbour

**Report Authorised by:** Bayo Dosunmu, Strategic Director, Residents Services

**Portfolio:** Cabinet Member for Equalities and Culture, Councillor Sonia Winifred

**Contact for enquiries:**

Gary Meeds, Project Manager [gmeeds2@lambeth.gov.uk](mailto:gmeeds2@lambeth.gov.uk), 07719 649656

**Report summary**

This report seeks approval to vary and extend under waiver the contract for the *Appointment of Main Contractor for Brixton Recreation Centre, Phase 1 Essential Repairs* to appoint K J Evans Electrical Limited (KJ Evans) for the urgent upgrade of Brixton Recreation Centre's boiler system.

**Finance summary**

The total cost of the scheme at present is £774,548.50 for a 24 week programme. The new boiler repair works, is £416,883 which is within the overall budgetary allowance for the Repairs and Maintenance Programme.

**Recommendation**

1. To vary the existing contract with K J Evans Electrical Limited for the delivery of the 12-week Boiler Upgrade Works in the sum of £416,883 to a total value of £1,191,431.50, commencing April 2019.
2. The client held contingency allocated for the variation is approved as outlined in part 2 of this report to cover unforeseen risks.

**Reason for Exemption from Disclosure**

The accompanying part II report is exempt from disclosure by virtue of the following paragraphs of Schedule 12A to the Local Government Act 1972:

Paragraph 3. Information relating to the financial or business affairs of a particular person. (Including the authority holding that information).

## 1. Context

- 1.1 Brixton Recreation Centre is a Grade 2 listed building that was opened in 1985. Its social function, rich history, central location and excellent transport links mean that the Rec has remained an important and greatly valued public asset.
- 1.2 However due to a number of factors, the ongoing condition and serviceability of the centre has generated concern and so late in 2016 a budget of £5,950,000 was identified to address a number of key priority items that were selected either due to their impact on safe centre operation or to ensure that the building could remain functional, without the need for further significant repair or maintenance with the next 5-7 years.
- 1.3 By October 2017, following an extended period of survey and investigation with a development partner (Wilmott Dixon Interiors) it had become clear that it was not possible to establish, via a single tender strategy, an affordable programme of repair & maintenance (R&M) works without the need for closure of the recreation centre for extended periods.
- 1.4 Officers then sought to establish alternative, less disruptive delivery options and by May 2018 had established a new 2-Phase delivery strategy as set out below and encapsulated in the Procurement Strategy Report, approved by the Director of Strategic Programmes on 9<sup>th</sup> May 2018:-:

<b>Phase One – Urgent/ Essential Repairs</b>	<b>Phase Two (Exact scope to be confirmed)</b>
Emergency Lighting	Roof Repair/ Lightning Protection
Fire Alarms	Leak/ General Repairs (E.g. Escalators, Poolside Improvements, Toilet Areas etc...)
Pool Ventilation	Low Voltage (LV) Panel and Distribution Boards
Fire Stopping Survey	Upgrade general heating and ventilation systems and replacement of hot & cold water pipework
	Building Management System/ Controls
	External Lighting/ CCTV
	Further Fire Safety Works
	Pool Plant
-	New Platform Lift

- 1.5 Following a competitive selected tender process, via Constructionline, K J Evans were appointed in December 2018 for the delivery of the Phase One element in the sum of £774,548.50.
- 1.6 This report establish the case for varying and extending K J Evans' contract for Phase One Essential Repairs to include the boiler upgrade.
- 1.7 Lambeth's Major Capital Programmes Team will manage the delivery of the project in conjunction with the consultant team, led by WSP Group.
- 1.8 The Urgent Boiler Upgrade works are due for completion in July 2019.

## **2. Proposal and Reasons**

- 2.1 By August 2018, it became apparent that the provision heating and hot water within the centre did not meet demand. Contractors had sought to address the issue via routine survey and repair.
- 2.2 Upon further investigation, it became clear that earlier works between 2007 and 2011 had led to the decommissioning of one of three of the non-condensing boilers that originally served both the Recreation Centre and International House.
- 2.3 It subsequently transpired that the loss of the boiler in question meant that the two remaining boilers could not meet the load requirement. Further it was discovered that the water tank and much of the associated pipework was degrading and in need of replacement.
- 2.4 A summary of the works to be undertaken as part of this procurement is set out below:-
  - Survey of existing boiler flues
  - Upgrade of boiler room ventilation (if required)
  - Install heat plate exchanger, gas pump boosters and replace/ remove defunct third boiler
  - Installation of Low Temperature Hot Water (LTHW) pressurisation unit
  - Upgrade pumps/ pipework
  - New filtration and dosing unit
  - New water storage tank
- 2.5 It has been established that no significant disruption to existing services would be incurred as the new boiler would installed in isolation. Connection to the existing 2-boiler system could therefore be undertaken quickly and with minimal impact.
- 2.6 The specification for each element of the above scope of works has been reviewed by the Council's technical and cost consultants and is adjudged to represent a value for money solution. This issue is considered further in the part II report, by way of comparison with current benchmark rates and historic rates tendered for similar refurbishment works.

- 2.7 The justification for direct appointment of a K J Evans to deliver these works, via their existing contract, is as follows:-
- Since November 2018 the lack of capacity of the boiler system has generated complaints and reputational risk to both the Council and the operator, Greenwich Leisure Limited (GLL);
  - Despite efforts to repair and improve the existing 2-boiler system, it is clear that upgrade is required to maintain an acceptable level of service and secure the 5-7 year lifespan target established by the current Repair & Maintenance Strategy;
  - Recent survey has demonstrated that in the short term, the risk of failure and thereby the ongoing continuation of uninterrupted service cannot be guaranteed;
  - Aside of reputational risk, there is also significant financial risk associated with the loss of business continuity, as it estimated that each week of closure of the centre may cost the Council in excess of £100,000 in lost income and compensation payments to GLL for staffing costs.
  - K J Evans and their sub contractor, Pumps & Motors, have adequately demonstrated via the stage 1 tender process, that they have the necessary skills, qualifications, procedures and experience to deliver the works safely and efficiently.
- 2.8 On the basis of the above and the commercial assessment presented in the Part II report, it is proposed that Contract Standing Orders are waived on the basis of urgency under clause 17.2e and that these works are progressed via the existing Phase 1, Essential Repairs contract.
- 3. Finance**
- 3.1 In May 2016 budget allocation for both phases of the project was £5.95m, including all construction, refurbishment and demolition costs, fees, contingencies, inflation and capitalisation. A further £300k allocated for earlier mechanical and electrical repairs in 2014, is also available to the project to establish the total approved budget of £6.25m.
- 3.2 The sum of £774,548.50 was allocated for the delivery of phase 1 repairs. The works identified by way of this procurement, in the sum of £416,883 is within the established capital budget allowance for the elements of phase 2 works identified at section 1.4 above.
- 4. Legal and Democracy**
- 4.1 The Council has delegated the authority to enact this report's recommendations to the Strategic Director for Residents Services. Before exercising that authority, this paper should be reviewed by the Procurement Board.
- 4.2 Under the Contract Standing Orders, all contracts with an estimated value of £100,000 or more must be competitively tendered to ensure that all tenderers have the economic and financial standing, technical ability and resource capacity to fulfil the requirements of the authority. Officers complied with this requirement in the procurement of K J Evans Electrical Limited.

- 4.3 The statutory procurement regime applies to this tendering exercise by virtue of the Public Contracts Regulations 2015. Contracting authorities must comply with the full rigour of the regulations, including publishing a notice in the Official Journal of the European Union if the estimated value of the contract is above the prescribed financial threshold. The threshold for works contract is £4,348,350. For below threshold contracts, the Council's duty is to act reasonably and proportionately when evaluating the efficacy of awarding a contract to a particular provider, or varying an existing contract, and varying a below-threshold contract with a firm drawn from Constructionline will have fulfilled this duty.
- 4.4 Provisions in the Local Government Act 1988 oblige the Council to provide a written explanation to any person who has not been awarded work for which they tendered within 15 days of a written request to do so.
- 4.5 The Council's Constitution requires that all key decisions, decisions which involve resources between the sums of £100,000 and £500,000, and important or sensitive issues, must be published on the website for five clear days before the decision is approved by the Director or Cabinet Member concerned. Any representations received during this period must be considered by the decision-maker before the decision is taken.

## 5. Consultation and co-production

- 5.1 Local residents and Ward Councillors have been consulted on this scheme and will continue to be engaged through the pre-construction and construction periods. Users have also been updated at BRUG (Brixton Rec User Group) meetings.

## 6. Risk management

### 6.1 Risk Matrix

Risk	Risk Rating	Countermeasure
<b>Rise in construction costs</b>	Low/ Medium	Construction and materials costs can vary significantly over the course of the development and these changes can often be difficult to predict. However a budget review has been undertaken in this case, to ensure that VFM is being achieved.
<b>Disruption to centre activity programme</b>	Low/ Medium	LBL will be working closely with the operator GLL, who are involved in the tender review process. GLL will also assume a role in works monitoring, being in attendance when contractors are on site. All works where required will be delivered 'out of hours'.
<b>Community buy-in</b>	Low/ Medium	There is risk presented by failure to inform users about the works programme and any potential disruption. A basic

		communications protocol is being developed to address any potential risk.
<b>Construction delivery/ delays</b>	Low/ Medium	A design and build form of contract has been utilised and all relevant survey information has been provided to bidders in advance of tender. Thus bidders are aware of all known/ latent risks prior to commencement.

6.2 No specific risks in relation to Brexit have been identified. Due diligence has previously been carried out including insurances, financial checks and other relevant health & safety policies. The contractor has provided a Business Continuity Plan which is acceptable and integrates with the Council's own arrangements.

## 7. Equalities impact assessment

7.1 These works form an extension to a repair and maintenance contract for which a 'light touch' EqIA was produced in connection with the works programme as established in 2016. This boiler repair/ replacement, due to their limited scope as a specialised element of works, will not affect the conclusions of the original exercise that noted that the risk and impact on user groups would be 'low' and that the extension of the life of the asset would support positive outcomes for users.

## 8. Community safety

8.1 As noted above, safe working practices and good communication between contracting parties and users will reduce risk of disruption and support safe building use.

## 9. Organisational implications

### 9.1 Environmental

The new systems to be installed will reduce energy use and offer improved performance.

### 9.2 Staffing and accommodation

There are no direct staffing implications associated with this decision to appoint, as the building is not operated by the Council.

Contract staff will be paid at least the London Living Wage.

### 9.3 Procurement

It should be noted that the term of the Phase 1 works is relatively short and the scope of the commissioned works is highly technical requiring small teams of specialised contractors to deliver. The remaining Phase 2 elements will take longer and the works activity will be more diverse and allow more scope for training/ apprenticeships.

### 9.4 Health

Tenderers will be required to prioritise health and safety management practice and provide for all regulatory procedures and arrangements. This will include effective

control of common and significant operational and product hazards, including risks generated by noise and vibration, pollution, pesticides, asbestos, other waste and contaminated materials.

## 10 Timetable for implementation

10.1 The table below shows the stages, milestones and deadlines for implementing the contract.

#	Item Description	Date
1	Report circulated	23 <sup>rd</sup> March 2019
2	Brief Lead Member	15 <sup>th</sup> April 2019
2	Procurement Board Meeting	23 <sup>rd</sup> April 2019
3	Decision Publication Date	30 <sup>th</sup> April 2019
4	End of Call In Period	7 <sup>th</sup> May 2019
5	Appoint Contractor	8 <sup>th</sup> May 2019
6	Start on Site	15 <sup>th</sup> May 2019
7	Completion/ Handover	26 <sup>th</sup> July 2019

10.2 The contract used will be the standard JCT Design & Build form of contract and will be managed by the MCP Project Manager. Monthly progress / update reports will be written and reported through the Capital Programme monitoring procedures.

<b>Audit trail</b>				
<b>Consultation</b>				
<b>Name/Position</b>	<b>Lambeth directorate/ division or partner</b>	<b>Date Sent</b>	<b>Date Received</b>	<b>Comments in para:</b>
Councillor Sonia Winifred	Cabinet Member for Equalities and Culture	10.04.19	15.04.19	Cleared – no comment
Bayo Dosunmu, Strategic Director	Residents Services	23.04.19	13.05.19	Cleared – no comment
Kevin Crook, Assistant Director	Residents Services	09.04.19	11.04.19	Cleared – no comment
Kamran Rashid / Assistant Director of Capital Delivery	Schools & communities Capital Programmes	22.03.19	25.03.19	Report cleared – no comment
Andrew Ramsden, Assistant Director, Strategic Finance	Finance & Property	22.03.19	12.04.19	3
Paul Butler, Group Finance Manager	Finance & Property	22.03.19	02.04.19	3
Saif Mahamroot, Category Manager	Finance and Investment	09.04.19	11.04.19	Cleared – no comment
Michael O’Hora Legal clearance	Legal and Governance	22.03.19	01.04.19	4
Maria Burton, Democratic Services	Legal and Governance	22.03.19	05.04.19	4
<b>Procurement Board</b>	<b>Date of Meeting</b>	23.04.19		
<b>External</b>				

<b>Report history</b>	
<b>Original discussion with Cabinet Member</b>	24 <sup>th</sup> May 2018
<b>Report deadline</b>	N/A
<b>Date final report sent</b>	N/A
<b>Report no.</b>	N/A
<b>Part II Exempt from Disclosure/confidential accompanying report?</b>	Yes
<b>Key decision report</b>	No
<b>Date first appeared on forward plan</b>	23 <sup>rd</sup> July 2018
<b>Key decision reasons</b>	N/A
<b>Background information</b>	<a href="#">CMDDR, Appointment of Main Contractor for Brixton Recreation Centre, Phase 1 Essential Repairs, September 2018</a>
<b>Appendices</b>	None

**APPROVAL BY OFFICER IN ACCORDANCE WITH SCHEME OF DELEGATION**

**I confirm I have been consulted Finance, Legal and Democratic Services and taken account of their advice and comments in completing the report for approval:**

**Signature** \_\_\_\_\_ **Date** \_\_\_\_\_

**Post: Gary Meeds, Project Manager**

**I approve the above recommendations**

**Signature** \_\_\_\_\_ **Date** \_\_\_\_\_

**Bayo Dosunmu, Strategic Director, Residents Services**

**Any Declaration of Interest (or exemptions granted): None**

**Any Conflicts of Interest: None**

**Any Dispensations: None**