

Decision Maker: **EXECUTIVE**

Date: **Wednesday 10 July 2019**

Decision Type: Non-Urgent Executive Key

Title: **REPLACEMENT OF THE DISTRICT HEATING SYSTEM
BOILERS AND RELATED WORKS TO WALNUTS LEISURE
CENTRE**

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Chief Officer: Director of Regeneration

Ward: Orpington;

1. Reason for report

The District Heating System in Orpington is approximately 40 years old and is now subject to frequent breakdowns. This report requests the funding to carry out essential replacement of the boilers to prevent total breakdown. In addition associated repairs to the secondary heating plant at the Walnuts Leisure Centre are also required.

2. RECOMMENDATIONS

Members are asked to approve:

- 2.1 funding in the sum of £1.5m from capital receipts to carry out the works outlined in this report and add the scheme to the Capital Programme, subject to agreement of Full Council.**
- 2.2 the procurement proposals outlined in sections 3.14 to 3.17 in the report.**
- 2.3 delegated authority to the Director of Regeneration to approve variations using the contingency**
- 2.4 delegated authority to the Director of Regeneration to finalise the contributions from leaseholders which would reduce the net cost to the Council of this scheme.**

Impact on Vulnerable Adults and Children

1. Summary of Impact:

Corporate Policy

1. Policy Status: Existing Policy
 2. BBB Priority: Excellent Council
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Financial

1. Cost of proposal: Estimated Cost: £1.5m
 2. Ongoing costs: Non-Recurring Cost: £1.5m
 3. Budget head/performance centre: Capital Programme
 4. Total current budget for this head: N/A
 5. Source of funding: Capital Receipts
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Personnel

1. Number of staff (current and additional): Not applicable
 2. If from existing staff resources, number of staff hours: Not applicable
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Legal

1. Legal Requirement: Statutory Requirement
 2. Call-in: Applicable
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Procurement

1. Summary of Procurement Implications:
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Borough wide
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:

3. COMMENTARY

- 3.1 The Walnuts District Heating System is located in the basement of Orpington College and serves the College, Walnuts Leisure Centre, Orpington Library/ Walnuts Offices, Saxon Day Centre/Saxon Family Centre and the Shopping Centre (common parts only).
- 3.2 The system provides heating and hot water through a medium temperature hot water (MTHW) primary heating source from the centralised plant via calorifiers and plate heat exchangers sited within satellite plant rooms serving each of the above buildings.
- 3.3 The system is owned and maintained by the Council and each building's usage is monitored via heat meters and users appropriately recharged in accordance with their leases or heating agreements. The % usage of each user is broken down as follows:

ORPINGTON COLLEGE	27%
ORPINGTON LIBRARY	2%
COUNCIL OFFICE	1%
SAXON CENTRE	1.75%
SAXON CENTRE	1%
SHOPPING CENTRE	0.25%
LEISURE CENTRE	67%
	100%

- 3.4 The current system is now 40 years old and it has been expanded over time by the inclusion of additional boilers from elsewhere on the Bromley estate and, through maintenance and timely replacement of failing components, the system had been kept in operation without any significant failure resulting in the total loss of service to users. However this position is becoming increasingly harder to maintain with the age of the plant. Breakdowns have in recent months become more frequent and are taking longer to repair, as the faults become more serious and parts harder to source. The Walnuts Leisure Centre, which is the largest heat consumer, has recently had to close its swimming pool, due to plant failure. As the risk of complete failure is now high, it is proposed to renew the boilers with a like for like replacement.
- 3.5 The Walnuts Leisure Centre also has secondary associated plant, which provides a back-up to the district heating system. The secondary plant is also life expired and subject to frequent breakdown with the consequence that the building has no resilience. It is also proposed as part of this project to replace some of the essential life-expired plant within the leisure centre itself.
- 3.6 The estimated cost of this work is £1.5m, which is broken down as follows:

Walnuts DH Plant	Estimated total cost £'000s
Construction - District Heating Plant	1090
Construction - Walnuts Leisure Centre	110
Consultant fees	130
Survey Fees	5
Building Control Fees	5
Asbestos	25
Client Contingency (10%)	135
Total	1500

- 3.7 Legal Services were requested to review the leases and heating agreements of the buildings, which benefit from the District Heating System and advise if the Council can seek a contribution towards the capital replacement costs from their occupants.
- 3.8 Legal Services have advised that the Council cannot seek a contribution from the leaseholders who occupy Orpington Library, Saxon Centre and Walnuts Leisure Centre.
- 3.9 Orpington College and Walnuts Shopping Centre have heating agreements and, under their terms, are expected to contribute towards any plant replacement costs.
- 3.10 Orpington College is expected to pay a fair and reasonable proportion towards the costs with a cap relating to the annual amount of their consumption. The Shopping Centre is liable to pay a capped amount, however that amount must be agreed.
- 3.11 Officers are seeking the total estimated cost of £1.5m for the works, but will apply any contributions received from the College and Shopping Centre to reduce that amount. It is not possible to be specific about contributions at this time as they will be subject to successful negotiations and agreement. It is also not advisable to delay the works pending these negotiations, due to the high risk of plant failure.
- 3.12 Legal Services has also confirmed that under the terms of the lease the Council, as landlord is responsible for replacement of boiler house ancillary equipment in the Walnuts Leisure Centre.
- 3.13 The works proposed as part of this scheme can be broken down into two distinct parts, the replacement of the boilers in the District Heating Plant and the replacement of the secondary associated plant in the Walnuts Leisure Centre. The latter work is straightforward and it is proposed to deliver it separately. The proposed procurement route for the works is as follows:

District Heating Plant

- 3.14 It is proposed to select a multi-disciplinary consultancy services from the ESPO Property, Building and Infrastructure Advice and Management Services Framework using mini competition to deliver the project.
- 3.15 It is also proposed to select contractors in accordance with the appropriate EU/ Public Procurement Regulations, which is likely to be via open advert using Contract Finder.
- 3.16 It is recommended that delegated authority is approved for the Director of Regeneration to approve any variations using the client contingency.

Walnuts Leisure Centre

- 3.17 It is proposed that Amey Ltd will carry out the work using their Preferred Supplier List and in accordance with the terms of the TFM contract.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

- 4.1 There is not considered to be an impact on Vulnerable Adults and Children as a consequence of this decision.

5. FINANCIAL IMPLICATIONS

- 5.1 This report is seeking approval to allocate £1.5m from capital receipts to fund the renewal of the district heating system and the secondary plant. Approval is sought to add the scheme to the capital programme, subject to agreement of Full Council.
- 5.2 Should officers be successful in negotiating contributions towards the renewal costs, in accordance with the terms of the lease, the amount will reduce the funding required from capital receipts.

6. LEGAL IMPLICATIONS

- 6.1 The Council is required to undertake maintenance of its properties. Failure to ensure that its properties and buildings are maintained to a level to avoid risks to its staff and members of the public can lead to criminal and civil liability.
- 6.2 In addition the Council has obligations under the leases and heating agreements to provide heating and hot water to these buildings, without which they cannot remain operational.
- 6.3 In the Walnuts Leisure Centre lease, the Council is obliged to replace the heating plant and equipment within their building, whereas the tenant is obliged to maintain and repair these items.
- 6.4 The Council will recover any monies in accordance with the terms of the heating agreements.
- 6.5 The Procurement Implications set out in section 7 of this report adequately covers the issues concerning compliance with the CPR's and the Public Contracts Regulations 2015.

7. PROCUREMENT IMPLICATIONS

- 7.1 This report recommends conducting a mini competition using the abovementioned ESPO Framework for the provision of consultancy services at an estimated value of £130k. The duration of the contract is yet to be determined but will complete at the end of the construction contract's defects liability period.
 - 7.1.1) In accordance with Clause 3.5 of the Contract Procedure Rules, the Head of Procurement has been consulted regarding the use of the Framework.
 - 7.1.2) The Council is able to make use of the Framework and has been properly included on the Contract Notice.
 - 7.1.3) In compliance with the Council's Contract Procedure Rules (Rule 3.6.1), the mini competition must be carried out using the Council's e-procurement system.
- 7.2 Further to this, the report recommends proceeding to procurement for a works contractor for the replacement of the district heating system boilers at an estimated value of £1.1m. The duration of the contract is yet to be determined but will complete at the end of the defects liability period.
 - 7.2.2) The procurement must comply with EU Treaty principles of transparency and equal treatment. Any time limits imposed, such as for responding to adverts and tenders, must be reasonable and proportionate.
 - 7.2.3) On award, a Contracts Finder notice will be published.

- 7.3 The report also recommends Amey Ltd procures and delivers the works to the Walnuts Leisure Centre. This work will be delivered in accordance with the TFM contract and the Client Team will monitor their activities and delivery in accordance with the terms of the contract.
- 7.4 The actions identified in this report are provided for within the Council's Contract Procedure Rules, and the proposed actions can be completed in compliance with their content.

Non-Applicable Sections:	Policy Implications, Personnel Implications
Background Documents: (Access via Contact Officer)	