

# Corporate Policy and Resources Committee

9<sup>th</sup> December 2024 then Full Council 12<sup>th</sup> December 2024

<b>Title</b>	<i>Replacement of Mechanical &amp; Electrical Plant at Sunbury Leisure Centre</i>
<b>Purpose of the report</b>	To make a recommendation to Full Council
<b>Report Author</b>	Coralie Holman, Group Head Assets
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	Main Report and Appendix 2 – No Appendix 1 - yes
<b>Exemption Reason</b>	As to Appendix 1. The Appendices contains exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to information) (Variation) Order 2006 Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because, disclosure to the public would prejudice the financial position of the authority in any contract or other type of negotiation with a prospective purchaser who could then know the position of the Council.
<b>Corporate Priority</b>	Community, Environment and Services
<b>Recommendations</b>	<b>Committee is asked to:</b> Recommend to Full Council to:  <ol style="list-style-type: none"><li>1) Approve a net budget of up to £739,000 to undertake improvement Mechanical and Electrical Plant replacement works at Sunbury Leisure Centre.</li><li>2) Approve a contingency budget in the amount that equals 10% of the total project cost (shown in Appendix 1)</li><li>3) Delegate authority to the Group Head of Assets in consultation with the Chair and Vice Chair of Corporate Policy and Resources Committee to agree requests for expenditure from the contingency budget.</li><li>4) Delegate authority to the Group Head of Assets in consultation with the Chair and Vice Chair of Corporate Policy and Resources Committee to appoint the preferred bidder as set out in this report to undertake the Mechanical and Electrical Plant works.</li><li>5) Delegate Authority to the Group Head of Corporate Governance to enter into necessary legal documentation to formalise the appointment of the contractor.</li></ol>

<b>Reason for Recommendation</b>	The replacement Mechanical and Electrical Plant works at Sunbury Leisure Centre, will not only enhance the operation of the facility but are also a contractual requirement under the Leisure Operator Contract between the Council and Places for People.

### Summary of the report

What is the situation	Why we want to do something
<ul style="list-style-type: none"> <li>• The Mechanical and Electrical plant (MEP) at Sunbury Leisure Centre is over 25 years old and is considered obsolete</li> <li>• As part of the procurement for a new leisure centre operator the Council undertook to replace the aged MEP</li> <li>• Under the Leisure Operator Contract, the works must be completed by 30<sup>th</sup> September 2025</li> <li>• The Council has undertaken a procurement exercise to appoint a contractor, but only 1 of the 4 invited contractors submitted a tender</li> </ul>	<ul style="list-style-type: none"> <li>• If the works are not undertaken the Council will be in breach of the Leisure Operator Contract</li> <li>• If the aged equipment is not replaced it is at risk of failing and this could result in parts or all of Sunbury Leisure centre having to close for long periods of time</li> </ul>
This is what we want to do about it	These are the next steps
<ul style="list-style-type: none"> <li>• Seek approval from Full Council for a net budget provision of £739,000 (allowing for additional funds received from a dilapidations settlement to also be used to meet the total cost of replacement)</li> <li>• Liaise with alternative suitable contractors listed on a framework contract to determine if a more competitive price can be achieved.</li> <li>• Once the framework contractors have been approached, identify a preferred contractor and</li> </ul>	<ul style="list-style-type: none"> <li>• Identify a preferred bidder and enter into a contract for the works to be carried out</li> <li>• Works to commence in January 2025 to ensure completion by 30<sup>th</sup> September 2025, which is the deadline set in the Leisure Operator contract for completion</li> </ul>

appoint them to undertake the works	
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## **1. Key issues**

- 1.1 As part of the tender of the new Leisure Centre Operator contract, the Council undertook to complete certain improvement works at Sunbury Leisure Centre in respect of Mechanical and Electrical Plant (MEP) and the Building Fabric. The works were based on survey information dated 2021 and 2023 which formed part of the tender documents included with the procurement for a new Leisure operator. These works were not included within the March 2022 budget approvals sought for the construction of the new Eclipse Leisure Centre.
- 1.2 This report focuses on the MEP works, referred to above. The required works were determined based on a 2023 Mechanical & Electrical survey carried out by an external specialist consultant, Hoare Lee. The Hoare Lee report noted several key areas of plant that had come to the end of its economic life in terms of manufacturers recommended 'shelf life'. There are 3 main elements of MEP that need to be replaced, the Building Maintenance System, Air Handling Units and the main Electrical Power distribution.
- 1.3 The existing MEP at Sunbury is over 25 years old and consultants have advised cannot be replaced on a like for like basis, predominantly because the size, configuration and functionality of MEP equipment has significantly changed over the last 25 years.
- 1.4 The Council procured and instructed a specialist consultant, Calford Seadon to assist with the preparation of a bespoke MEP design, procurement of a contractor and project management of the physical works. The indicative programme shows commencement in January and complete in September 2025. The consultant provided a budget cost of £900,000 for the works, which was in addition to their own fee of 5% of the contract sum plus £1,750 for dealing with statutory Health & Safety matters to address Construction, Design and Management regulations.

## **2. Current position**

- 2.1 The Council has secured a financial settlement from the previous Leisure operator to compensate the Council for technical breaches of lease, where it could be considered the operator did not fully meet their lease obligations in terms of repair and maintenance of both the building and MEP. (The details of this financial settlement must remain confidential as part of the settlement agreement, hence, are set out in a confidential Appendix, no.1.)
- 2.2 The financial settlement can be offset against the cost of the MEP replacement works hence the budget sought within this report, is referred to as a 'net budget', being the difference between the cost of the MEP replacement works and dilapidations settlement received. Any works relating

to the building fabric are minor and will be met from existing revenue planned maintenance budget provision.

- 2.3 Under the terms of the new Leisure operator contract (LOC) the MEP replacement work must be completed by 30<sup>th</sup> September 2025. If the work is not completed by this date, and the 'aged' equipment malfunctions or fails causing the new leisure operator to incur financial losses the Council will be exposed to a contractual claim. Due to the lead in times with ordering the new equipment a contractor must be appointed by Christmas 2024 to achieve the 30<sup>th</sup> September deadline. Appendix 2 sets out the works programme.
- 2.4 The works programme could not be completed until the LOC was finalised (30<sup>th</sup> September 2024). This resulted in a short tender period to allow for reporting timescales to present a report to CPRC and Council in December 2024. Whilst 4 contractors were invited to submit tenders, due to the complexity of the work and short tender period only one contractor submitted a tender price. This tender price (set out in Appendix 1) includes provisional budget sums and project management costs (including for Health and Safety management).
- 2.5 The Council has a contractual obligation to undertake this work and due to the anticipated contract value, the works had to be formally procured to comply with the Council's contract procedure rules. However as only a single tender price has been received, we are seeking a further quote for the work from a specialist procurement framework. This will provide a benchmark comparable price, subject to a second price being obtained in a timescale that allows a contractor to be appointed and works to commence in January 2025.
- 2.6 Early indications suggest there are several contractors on the framework who would be prepared to submit a tender price. Due to the limited timescales, we do not have sufficient time to carry out further procurement. The selected framework provides the ability to progress with a single lead contractor who is identified through pre-determined framework scoring, carried out by the external framework provider.
- 2.7 In order to appoint a contractor before Christmas and obtain budget approval, we are running tender evaluation in parallel with bringing a report to this Committee and Council. Hence at this stage we are only seeking agreement from this Committee to recommend to full Council a net budget is approved up to a maximum of £739,000, being the actual cost, the Council will need to fund once the dilapidations settlement is added, to finance the costs of the works.
- 2.8 The report also seeks approval that appointment of the preferred bidder is delegated to the Group Head of Assets in consultation with the Chair and Vice Chair of CPRC. If full Council agree this delegation, it will provide the additional time required prior to January 2025, to fully evaluate the single tender received, conclude discussions with the framework contractors in order to achieve a comparable price and reach a conclusion about the preferred bidder.

- 2.9 Conclusions will be based on assessment of all risks relating to tender assumptions. The single tender currently includes c.£300,000 of budget prices. This is where the contractor can't provide fixed, guaranteed prices for certain elements of the work and the risk of any price increases will have to be met by the Council. Therefore, full evaluation of the reasons for the budget pricing must be undertaken and then qualified and closed out where possible to provide as greater level of price certainty as possible.
- 2.10 Part of the tender evaluation includes ensuring all contractors (both from the open tender and framework) meet the required standards, with acceptable contract terms and performance. Therefore, conclusions about the preferred contractor will be based on price, including cost certainty i.e. the risk of price increase occurring from budget items within the overall contract sum. The appointed external project manager will provide guidance on the areas of the contract price that pose the greatest risk in respect of cost increase.
- 2.11 The tender prices do not provide for any project contingency. Through the project management and reporting which will include budget monitoring, should any unknown items arise which require any additional budget, this is likely to require an immediate decision. It is recommended that a budget contingency up to 10% of the gross contract sum (see appendix 1) be agreed, without the need for further referral to Full Council on the condition that all requests for expenditure from this contingency budget will be agreed by the Group Head of Assets in consultation with the Chair and Vice Chair of Corporate Policy and Resources Committee for transparency.

### **3. Options**

- 3.1 Option 1 - **It is recommended** a) this Committee agree to approve a recommendation and full Council approve a net budget provision of £739,000, plus a further 10% contingency as needed to undertake the replacement MEP works set out within this report. This is a contractual obligation under the LOC contract between the Council and Places for People and b) the final decision to appoint a contractor to undertake the work be delegated to the Group Head of Assets in consultation with the Chair and Vice Chair of CPRC. This will follow discussions with framework contractors to determine if a more competitive price can be achieved for the works.
- 3.2 Option 2 – re-tender the works over a longer period to see if further interest from contractors and more competitive prices can be achieved. This is not recommended as it will result in the programme commencement being delayed and completion of the works extending beyond the 30<sup>th</sup> September 2025, which could result in Places for People claiming against the Council for losses.
- 3.3 Option 3 – Do not progress any of the MEP works at Sunbury Leisure Centre. This is not recommended as the Council would be in breach of its contractual obligations to Places for People and may find the aged plant at Sunbury Leisure Centre fails resulting in the swimming pool or other elements of the centre having to close. This is likely to result in a much greater claim for losses from Places for People than a delay would.

### **4. Next steps**

- 4.1 Progress discussions with suitable framework contractors to determine if a more favourable price can be achieved for the work. Following conclusion of these discussions, select a preferred contractor based on contract pricing, then seek approval from the Group Head of Assets in consultation with the Chair and Vice Chair of CPRC to enter into a contract with the preferred bidder to undertake the works, commencing in January 2025.

## **5. Financial implications**

- 5.1 A net budget of up to £739,000 from the Capital programme (set out in Appendix 1) is required for this work, whilst not all funds will be spent in the 2024/25 financial year, in year additional capital budget provision will be required. This level of budget request allows for use of the dilapidation's settlement referred to in section 2.1 of this report.
- 5.2 This spend forms part of the total Leisure Centre Programme cost referenced in the Capital Monitoring Q2 and the Eclipse Financing Report and will be part of the expenditure financed from the sources referenced in the Financing Report.
- 5.3 The requirement to carry out this work and the previous estimate of costs have been included within previous financial reports, specifically the Q1 Capital Monitoring Report (Appendix 2) which went to this Committee in July 2024. The estimated costs of works has increased from the financials included within the July report, based on the tender prices received being higher than the original project managers estimated budget.

## **6. Risk Management**

- 6.1 If the contract is not awarded to the preferred bidder before Christmas 2024, this will impact on the works programme and is likely to result in works not being completed by 30<sup>th</sup> September and raises the possibility of Places for People making a claim for losses incurred, due to breach of contract.
- 6.2 The risk associated with the current leisure operator incurring Loss of profit and / or a breach of contract claim from the current leisure operator, is managed by co-ordinating the schedule of works with the current operator to minimise disruption, by carrying out the works outside the operating hours of the leisure centre where possible, by selecting the preferred contractor before Christmas 2024 and by carefully monitoring the works once these commence.
- 6.3 The services of a specialist project manager have been procured to manage the works on behalf of the Council due to the specialist technical nature and to provide close supervision and careful programming and monitoring to ensure there are no delays. The consultant costs are included within the budget request as shown in Appendix 1.
- 6.4 Service continuation/Sunbury LC closures – the existing MEP is approaching the end of its lifespan and in the event of a breakdown or failure there is a risk that the leisure centre will not be able to operate as repairs may not be a viable option. This risk is managed by the ongoing maintenance regime until the replacement works are completed.
- 6.5 Project Management - the project will be managed using the Council's project management methodology, which is broadly based around Prince 2 Project Management and quarterly updates will be provided to the Chair and Vice

Chair of CPRC. Project documentation includes a project Initiation document and programme. Once commenced further documents to include a project risk log, project progress, budget monitoring and other relevant matters will be produced and made available on the project dashboard.

## **7. Procurement comments**

- 7.1 The contract was procured in line with the Council's contract procedure rules initially inviting 4 specialist contractors to submit tenders for the work. As has been set out in the report only one of the 4 companies submitted a tender.
- 7.2 Due to the submitted tenderer's price including certain assumptions (the detail of which has not been provided), resulting in provisional sums and exceeding the informed budget cost, further quotes will be sought from a specialist framework. The frameworks suppliers regional 'rates' for mechanical and electrical works will form the basis of any tender pricing.

## **8. Legal comments**

- 8.1 The Council has a statutory duty to deliver best value under the Local Government Act 1999. The proposal to obtain a further quote for the MEP works to establish a benchmark cost is consistent with this duty.
- 8.2 Council's Contract Standing Orders (Part 4(e) of the Constitution) must be considered and complied with in the selection of the preferred contractor.
- 8.3 Legal Services ([g.legal@spelthorne.gov.uk](mailto:g.legal@spelthorne.gov.uk)) will provide advice and assistance with the review and negotiation of the contract terms and conditions and any other associated documentation as necessary.
- 8.4 Sunbury Leisure Centre is held by the Council on a lease from Sunbury Manor School. Legal Services will liaise with the landlord in the event the lease requires the landlord's consent to the proposed works.
- 8.5 The Council has granted a sublease of Sunbury Leisure Centre to the current operator, Places for People Leisure Management Ltd; the sublease reserves suitable rights to carry out the proposed works which mitigates a risk of a claim from and / or the need to enter into a supplemental arrangement with the operator.

## **9. Other considerations**

- 9.1 If the Council does not carry the works out then this could create reputational risk, from the potential of the Council being in breach of its contract with Places for People and also from failing equipment that cannot easily be repaired resulting in lengthy closures of some or all of Sunbury Leisure Centre.
- 9.2 The length of closures cannot be qualified as this will depend on the element of MEP that fails, the availability of suitable parts to undertake repairs. As outline earlier in the report, much of the equipment is considered obsolete as well as being dated, hence it is not anticipated sourcing parts to replace the aged equipment will be straightforward.

9.3 The progression of these works will need to be managed in parallel with works relating to the decarbonisation project e.g. installation of new PV panels and air source heat pumps.

## **10. Equality and Diversity**

10.1 There are no direct implications

## **11 Sustainability/Climate Change Implications**

11.1 As part of the procurement process, the selection criteria prescribe contractors to demonstrate processes which minimise the environmental impact of their services.

11.2 Additionally, replacing MEP installations at Sunbury Leisure Centre with energy-efficient technologies have many environmental benefits, including reduction in carbon footprint and greenhouse gas emissions.

11.3 Any Mechanical and Electrical Plant that is replaced will be recycled where possible, at the current time we do not have sufficient information to provide clarity on what elements can or can't be recycled. This information can be included in the quarterly project updates provided to CPRC.

12 Timetable for implementation

12.1 Immediately progress next steps, outlined above, if approved.

## **13 Contact**

13.1 Coralie Holman Group Head Assets [c.holman@spelthorne.gov.uk](mailto:c.holman@spelthorne.gov.uk)

**Background papers: There are none.**

**Appendices: Appendix 1 – 'Exempt' Financial Analysis of budget request  
Appendix 2 – Works programme**