

TONBRIDGE & MALLING BOROUGH COUNCIL
FINANCE, INNOVATION and PROPERTY ADVISORY BOARD

05 June 2019

Report of the Management Team

Part 1- Public

Matters for Recommendation to Cabinet - Council Decision

1 LARKFIELD LEISURE CENTRE CAPITAL SCHEMES 2019/20 – MECHNICAL, ELECTRICAL AND ROOFING WORK

Summary

This report updates Members on planned Capital works to Larkfield Leisure Centre, identifies the benefits of incorporating the replacement of the Leisure Pool Hall roof into the scheme, and identifies the cost implications of such an approach. The report makes recommendations to Council to enable the project to commence later this year, in partnership with a selected contractor.

1.1 Introduction

1.1.1 The Council's main leisure facilities are managed on this Council's behalf by the Tonbridge & Malling Leisure Trust (Trust). This arrangement has been in place since 2013 and has contributed significantly to the Council's Savings and Transformation Strategy. The buildings, including Larkfield Leisure Centre, remain in the ownership of the Council and are managed through a formal Management Agreement and a 20 year lease.

1.1.2 Within the Agreement the repair and maintenance of the facilities is shared between the parties, with each party's repair and maintenance obligations set out in a Repair and Maintenance Matrix. In general, larger scale maintenance obligations sit with the Council and with regards to Larkfield Leisure Centre this includes the boilers, ventilation system and leisure pool hall roof/spaceframe, all covered by this report.

1.1.3 The Agreement also allows for the Trust to claim for a loss of income during works, with the exception of up to seven days over the Christmas period and any closure of less than 24 hours. Close liaison is undertaken with the Trust to minimise the loss of income claim and any disruption to customers of the facility.

1.1.4 Larkfield Leisure Centre is an extremely popular facility attracting iro. 665,000 users per annum and generating annual income of approximately £3.6m. The

Centre is rated as Outstanding under the industry quality accreditation scheme (Quest), ranking it within the top ten of leisure centres nationally.

1.2 Background

- 1.2.1 The original parts of Larkfield Leisure Centre are now nearly 40 years old. Over that time a number of major building service items have been replaced or refurbished, and the Centre has seen a number of significant changes in order to meet market demand and changing needs. The two gas fired boilers located in the original plant room are, however, the same original boilers installed in the early 1980s. The main ventilation system serving the leisure pool was replaced in the early 1990s (nearly 30 years ago), whilst the associated ductwork is original.
- 1.2.2 The framework of the existing transparent barrel vault roof in the leisure pool hall is also original, although the polycarbonate panels were replaced in the early 1990s. At this time solar film was applied to some of the panels, with more film added to the remaining panels in 2005 to reduce solar gain within the pool hall.
- 1.2.3 As part of the Council's forward looking maintenance programme, an initial scoping report was commissioned in the summer of 2016 which looked at the leisure pool hall and café ventilation systems and original gas fired boilers. The report undertaken by specialist consultants, recommended that the items had reached the end of their useful lives and recommended their replacement.
- 1.2.4 In 2017 a more detailed survey and report was produced by the specialist consultants to enable the Council to allocate capital funds for the work required.
- 1.2.5 This resulted in a Capital Plan scheme to refurbish the air handling unit and replace the gas fire boilers, with the work originally scheduled to take place in 2018/19. The budget for this item currently stands at £950,000.
- 1.2.6 During the design phase of the scheme it became evident that further detailed, technical evaluation was required, so the scheme was deferred until 2019/20.
- 1.2.7 Although it had been hoped to carry out the replacement of the Leisure Pool barrel vault roof at a later date in the future, with the ventilation and boiler scheme being deferred it was proposed that the roof scheme be brought forward so as to reduce the impact on the centre's operations. The revised approach of incorporating both projects would avoid having two lengthy closures in the space of a few years, and thus reduce the overall impact of a loss of income claim from the Leisure Trust.
- 1.2.8 A Capital Plan Scheme was therefore added in 2019/20 to replace the existing barrel vault roof in the leisure pool hall with a budget of £450,000.
- 1.2.9 As part of the Council's building maintenance programme the internal roof structure at Larkfield Leisure Centre is inspected every 4 years in order to assess its condition. The most recent inspection took place in April 2018 and highlighted that the existing coating to the space frame (the metal frame supporting the roof)

was starting to deteriorate resulting in areas of corrosion. The report recommended that the space frame be re-painted within the next 2 years.

- 1.2.10 Being that the re-painting of the space frame alone would require a closure of the leisure pool hall and scaffold access provided, it was agreed that in order to minimise disruption and cost, the work would be incorporated into the boiler, ventilation and roof work. A sum of £250,000 was added to the Council's Building Repairs Revenue Expenditure Plan in 2019/20 for this purpose.
- 1.2.11 Some enabling works were undertaken in December 2018, over the usual Christmas close-down period, which totalled £120,000. This currently leaves a total budget for all works (ventilation, boilers, roof and space frame) of £1.53m.
- 1.2.12 In addition to the Capital Plan provision, a revenue budget was established to meet the anticipated loss of income claim which would be made by the Leisure Trust. £1m was set aside based on a closure of the leisure pool hall of 23 weeks.
- 1.2.13 An Officer Project Group reporting to the Council's Management Team, was established to deliver the scheme and has met several times to oversee the project. Representatives from the Leisure Trust and specialist advisors also attend meetings of the Group.
- 1.2.14 The Chief Executive of the Leisure Trust has commented on the operational issues linked to the proposals as follows:-

"Larkfield Leisure Centre continues to build a loyal customer base that depends on a quality of facility and service that is excellent and delivered consistently. Members will be aware that the Trust invested considerable financial resources last year to help improve and sustain the business whilst bringing great health and wellbeing benefits to local residents and visitors to the Borough. Retention of customers is vital in an increasingly competitive market place.

The Trust understands that major maintenance issues have to be addressed periodically but is keen to work with the Council to minimise the impact on customers and the business. I believe it is vital that these works are undertaken in a single phase of work to ensure the impact is reduced as far as possible. Any lost business will take time and cost to rebuild and the potential of lengthy closures in 2019/20 and again in the foreseeable future will be far more damaging to the business and our customers than one extended closure.

At present the Council's own financial analysis suggests undertaking the work in two phases will cost an additional £900,000 and I would suggest the loss of income could increase by a similar amount should this approach be adopted".

1.3 Procurement/Cost Estimates

- 1.3.1 The Project is being procured via the Scape Minor Works Framework. Scape is a public sector partnership that provides a number of single contractor frameworks that public sector organisations can use to procure a range of services.
- 1.3.2 Scape's Minor Works Framework can be used for projects up to £4m and Kier is the framework contractor. Kier, which has local offices in Aylesford, act as a management contractor and use its established supply chain to deliver all design and construction elements of the project. As part of the framework agreement, Kier has to meet targets to demonstrate value for money is being obtained and that the majority of its spend is local to the project.
- 1.3.3 Other advantages of using a Scape framework is the speed in which the contractor can be engaged, working with a known contractor, and savings associated with not having to undertake a long and complex procurement exercise.
- 1.3.4 The Council engaged Kier in October 2018 to start the initial feasibility stages, at no cost to the Council.
- 1.3.5 A cost estimate for the scheme was received in early March 2019 which totalled £2.45m and the indicative programme showed a leisure pool hall closure of around 38 weeks.
- 1.3.6 Due to both the increased capital cost of the work and the increased cost of the loss of income claim which would result from the extended programme, the Project Group discussed possible ways forward. Based on these discussions Kier were asked to provide the following:
- A condition survey of the existing barrel vault roof to ascertain whether the replacement of the roof could be deferred by 4 or 5 years; and
 - Revised cost estimates so that the Council could determine whether it was more cost effective to carry out all of the work at once, or defer the roof replacement (subject to the outcome of the condition survey). This included Kier going back to its supply chain to obtain revised pricing for the roof replacement element, which initially seemed very high.
- 1.3.7 Kier provided the requested information last month. The roof condition survey concludes that the current structure is well past its safe lifespan and recommends that replacement should not be delayed any further after considering the potential risks.
- 1.3.8 Following further engagement with its supply chain a lower cost estimate for the roof was received from Kier, meaning the cost estimate for the combined works (ventilation, boilers, roof and space frame) is £2.029m (including a project contingency of 5%), with an estimated 36 week closure of the leisure pool hall.

- 1.3.9 An indicative loss of income figure of £1.368m has been applied, which will be subject to confirmation by the Leisure Trust. The Trust are particularly keen to maintain its Swim School programme, and it's looking to relocate lessons from the Learner Pool (located in the Leisure Pool hall) to the Fitness Pool, through the use of submerged flooring. Whilst there will be a capital cost of the flooring, this will be incorporated in the final loss of income figure. This gives a total estimated capital and revenue cost of £3.397m against a budget of £2.53m, resulting in an overall budget shortfall of £867,000.
- 1.3.10 Financial Services has undertaken an analysis of the cost estimates received for the various options and have concluded that if the Council were to undertake the works in two separate phases over a longer time frame, the scheme would cost an additional £880,000 (above the £867,000 shortfall for the combined works). This analysis takes into account duplicated scaffold costs and an additional loss of income claim. A summary of the analysis can be seen at **Annex 1**.
- 1.3.11 One of the advantages of using the Scape Framework is that the cost estimates produced by Kier are as a result of discussions and quotations received from its supply chain, giving "cost comfort". In a more traditional procurement exercise the Council would have to wait for the return of tenders to obtain market pricing details.
- 1.3.12 It is important to note, however, that definitive final pricing "cost certainty" from Kier will not be obtained until nearer the time when the Council will need to commit to the cost of physically delivering the scheme, once the detailed design stages have been completed.

1.4 Roof options

- 1.4.1 As part of the feasibility work undertaken by Kier, it assessed options for the replacement of the roof. Two main areas were highlighted in its assessment. The first was the impact on the existing space frame, which supports the roof. A traditional flat roof construction would involve additional weight being placed upon the space frame. This would most likely involve the need to either strengthen, or replace, the existing space frame.
- 1.4.2 This would incur significant additional costs both in terms of works and the resultant significant extension to the programme and therefore increase in loss of income.
- 1.4.3 The second area highlighted was around loss of natural daylight and its impact on both the aesthetics of the Centre as well as the additional requirement for artificial lighting to be on throughout the day, rather than just in the evenings.
- 1.4.4 For these reasons the Project Group has recommended that a like-for-like barrel vault roof be used.

1.5 Energy Efficiencies

- 1.5.1 All new equipment to be installed as part of the scheme will be much more energy efficient than the existing plant (some of which is almost 40 years old).
- 1.5.2 It has been estimated that the new boilers alone will reduce energy consumption by around 20%, including a 20% reduction in carbon dioxide emissions. The new heating pumps will be inverter driven to ensure optimum performance and the air handling unit will have new, more efficient fans installed.
- 1.5.3 The Building Management System (BMS) will be replaced and extended, which controls various pieces of plant and equipment, enabling further efficiencies to be made.
- 1.5.4 In addition, the Council are looking to replace the existing halogen floodlights in the leisure pool hall with LED fittings. This will not only reduce the energy consumption but will reduce costs associated with having to access the high level fittings to replace bulbs.
- 1.5.5 The polycarbonate panels in the existing barrel vault roof are only single skin. The proposed replacements will be multiwall structured polycarbonate which will deliver improved heat retention in the pool hall.
- 1.5.6 As part of the roof feasibility work, the potential to install photovoltaic (PV) solar panels on the replacement roof was investigated. Due to the need to safely access the solar panels for ongoing maintenance it was noted that should a replacement barrel vault roof be used then it would not be possible to provide safe access. Should the Council wish to investigate the possibility of installing PV panels in the future it is felt the flat felted roof above the existing sports hall would be the more appropriate location to install them.

1.6 Funding

- 1.6.1 It is proposed that around half of the additional cost be met from the better than budgeted outturn position for 2018/19 by transferring this sum to the Leisure Trust reserve for this purpose. The balance will be met in the first instance from the revenue reserve for capital schemes recognising there may also be other funding options identified as the year unfolds.

1.7 Timescale

- 1.7.1 Subject to approval of the proposal outlined in this report by Full Council on 9th July 2019, it is planned that works will commence early October 2019, ending mid-May 2020 (36 week leisure pool hall closure). Works to the café air handling will take place within this period, which will result in the need to close the café for a number of weeks. An initial programme produced by Kier is attached for Members information at **Annex 2**.

- 1.7.2 In order to meet the above timescale, which Members will note avoids the busy school summer holidays, a Project Order has been placed with Kier so that the design and survey work can be progressed. This does not commit the Council to progressing the full scheme.
- 1.7.3 Within the programme the Trust will also take the opportunity to undertake other planned maintenance, including the replacement of the pool features around the Toddler Pool.
- 1.7.4 Customers will be fully advised of the works in advance and throughout the project. The Trust will keep customers informed on site and through its own website.

1.8 Legal Implications

- 1.8.1 As outlined at sub-section 1.1, the Council is under a contractual obligation to maintain the facility so that it can safely operate as a leisure centre. Should the Council not progress this work then the Leisure Trust would be fully entitled to take legal action against the Council for failure to fulfil its contractual obligations.
- 1.8.2 The scheme is being procured via a Scape Framework, which has been subjected to an EU compliant procurement exercise. The Delivery Agreement for the work will be based on the NEC3 Engineering and Construction contract, which is an industry accepted form of contract.

1.9 Financial and Value for Money Considerations

- 1.9.1 Under the Minor Works Scape Framework, Kier will engage with its established supply chain in order to competitively price each discrete works 'package'. Kier will then put forward its recommendation based on the prices received. Kier's overheads and profits rate, along with its staff costs, were subject to competitive pricing as part of Scape's procurement exercise to establish the framework.
- 1.9.2 The proposal to combine a number of projects into one contract has been based on a detailed financial cost benefit analysis which clearly identified that the proposal offers the most cost effective approach.

1.10 Risk Assessment

- 1.10.1 Should the Council not undertake the work required the plant and equipment would either eventually fail completely or would become increasingly difficult and costly to repair, most likely leading to long shut downs in operations whilst parts are sourced or works are undertaken. This would subsequently lead to large loss of income claims from the Leisure Trust.
- 1.10.2 Should the Council not progress the roof replacement the Council would be liable for any failure of the roof and and/or any costs associated with the Leisure Trust not being able to use the leisure pool hall.

1.10.3 The need to progress the work is a contractual requirement, has been based on advice from independent specialist consultants, and will enable customers to continue to enjoy using the facilities for many years to come. The activities at the Centre contribute significantly to a number of the Council's priorities, most notably assisting residents to enjoy a healthy lifestyle.

1.10.4 Liaison has been undertaken with Planning Officers who have advised that the works will fall within permitted development. The Council's Building Control Service will be involved throughout the works.

1.11 Equality Impact Assessment

1.11.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.12 Policy Considerations

1.12.1 Asset Management

1.12.2 Health and Safety

1.12.3 Procurement

1.13 Recommendations

1.13.1 It is **RECOMMENDED** to Council that based on independent advice and detailed financial appraisal:-

- i) the proposed scheme outlined in the report to undertake a package of works to the ventilation, boilers, leisure pool hall roof and space frame at Larkfield Leisure Centre be approved;
- ii) the increased cost of £867,000 be met from the Leisure Trust reserve and the Revenue Reserve for Capital Schemes, and the relevant revenue and capital budgets be amended accordingly;
- iii) the works be progressed to commence early October 2019 for a period of 36 weeks; and
- iv) liaison continues with the Tonbridge & Malling Leisure Trust to minimise the impact of the works on customers and the loss of income claim to the Council.

The Management Team confirms that the proposals contained in the recommendation(s), if approved, will fall within the Council's Budget and Policy Framework.

Background papers:

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Nil

Management Team.