

CABINET

12 September 2023

KING CENTRE REPLACEMENT BOILERS

Report of the Portfolio Holder for Planning and Property

Strategic Aim:	A modern and effective Council	
Key Decision: No	Forward Plan Reference: FP/140723	
Exempt Information	No	
Cabinet Member(s) Responsible:	Cllr P Browne, Portfolio Holder for Planning and Property Cllr A Johnson: Deputy Leader and Portfolio Holder for Resources	
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Ward Councillors	Cllr T Carr Cllr H Zollinger-Ball	

DECISION RECOMMENDATIONS

That Cabinet:

1. Approves the procurement model and award criteria for boiler replacement at The King Centre
2. Authorises the Strategic Director Places, in consultation with the Portfolio Holders with responsibility for Finance and Property Services, to award the contract resulting from this procurement in line with the Award Criteria
3. Approves the Capital Budget of up to £87k for the Boiler Replacement Project.

1 PURPOSE OF THE REPORT

- 1.1 The boilers at The King Centre need replacement. This report sets out the background detail and requests approval for the procurement model and award criteria, award of the contract and approval of Capital Budget to meet the expected

costs.

2 BACKGROUND AND MAIN CONSIDERATIONS

- 2.1 The King Centre is a managed business centre let to commercial tenants. The Council provides services including heating to the property. All occupiers pay rent and a service charge for heating, lighting, repair and other services provided. There are two boilers providing heat to office units and common parts and hot water to kitchens and WCs.
- 2.2 The King Centre was built in 1977 and acquired by the Council in 2010. The current boilers were installed in 2009 and have had regular and persistent faults and breakdowns despite the Council carrying out regular servicing and maintenance. This has resulted in periods when heating and hot water are not available affecting occupiers and causing reputational damage to the Council.
- 2.3 Repair costs of c£25,000 have been incurred for the boiler and plant room since 2018, with c£11,500 being spent on the boilers alone. These regular and persistent faults and repairs are having an adverse effect on the limited maintenance budget available for the property. In addition, managing the faults and repairs and tenant liaison impacts on Property Services limited resources.
- 2.4 Recent investigations have established the current boilers were not installed to manufacturers' requirements by the previous owners and were fitted too close together. Extension of The King Centre and associated heating system modifications, prior to Council acquisition, have resulted in an inadequate sized boiler room for the size of plant required. This has caused problems for Property Services when accessing the boilers leading to inadequate servicing. Ventilation of the boiler room is inadequate resulting in overheating of the space causing Boiler No 1 to fail regularly. Repair works are required to the flue.
- 2.5 Both boilers have been assessed as beyond economic repair due to their age and the issues stated above. In order to continue safe use of the boilers in the short term it is necessary to have a regular regime of 3 monthly servicing at a cost of c£450 per visit. Boilers are normally only serviced annually.

3 DECISION TO RENEW.

- 3.1 The boilers are now c14 years old and combined with insufficient servicing and poor installation. This has significantly shortened the expected or typical lifespan of 20 years.
- 3.2 The Council commissioned an independent report to assess the boilers and their installation. The report stated both boilers are beyond economic repair, the risk of boiler failures is heightened and action to replace the boiler plant is required.
- 3.3 The independent report provided options and recommendations with estimated costs for a solution to resolve the issues and replace the boilers.
- 3.4 The specification setting out the detail of work and installation is required for the procurement.

4 OPTIONS

4.1 The Options are as follows, with budget costs.

4.1.1 **Option 1 - Retain one existing boiler and remove the other boiler - Estimated Cost £16,500.**

This option removes the problem boiler and provides better access to the remaining boiler for ongoing servicing and maintenance.

- **Advantages**

a) Lowest cost option.

- **Disadvantages**

a) Retaining a single boiler would reduce the heat output below the required capacity to heat the building. The reduced output is estimated at only 75% of requirement needed to heat the building.

b) The remaining boiler is approaching the end of life, and therefore less reliable with a heightened risk of immediate failure leaving the building without any heat.

c) Does not address the short and long-term heating requirements of a commercially occupied building.

Comment:

This option is dismissed due to the heating capacity/demand required not capable of being met, and risks with boiler failure in the single remaining.

4.1.2 **Option 2 - Temporary hired packaged boiler plant – Estimated Cost £30.1k with £56k ongoing annual hire charge.**

This option is the hire of a packaged boiler plant. The packaged plant is a complete solution with the new boiler and associated equipment in a secure container placed outside the property and connected to the existing building heating and hot water distribution system. Gas boilers, including those in a packaged plant unit, typically have a life expectancy of up to 20 years.

- **Advantages**

a) Minimal impact internally.

b) Addresses the short- and long-term heating requirements of the building.

c) Swift installation.

d) Can be changed or surrendered to accommodate any changes in building which require increased/reduced heating capacity.

e) Maintenance costs for the packaged boiler plant are included in the hire charge.

- **Disadvantages:**

- a) Does not address the long-term heating requirements of the building.
- b) Significant hire costs – budget annual hire charge £56k.
- c) Hire costs would have an impact on the Revenue Budget if not classed as Capital.

Comments:

Dismissed on grounds of ongoing rental of £56k.

4.1.3 **Option 3 - New Packaged Boiler Plant – Estimated cost £86.9k**

This option is the purchase of a packaged boiler plant. The packaged plant is a complete solution with the new boiler and associated equipment in a secure container placed outside the property and connected to the existing building heating and hot water distribution system. Gas boilers, including those in a packaged plant unit, typically have a life expectancy of up to 20 years.

- **Advantages:**

- a) Minimal impact internally.
- b) Addresses the short- and long-term heating requirements of the building.
- c) Swift installation.
- d) Can be changed or surrendered to accommodate any changes in building which require increased/reduced heating capacity.

- **Disadvantages**

- a) Annual servicing costs of c£450 are required.
- b) Little time for payback depending on the future of the asset.

Comments:

Preferred option as provides an effective solution, allows swift installation and has minimal impact on the building. If heating requirements change and increased capacity is required, the purchased boiler plant could be changed easily but would incur a cost. Dependent on age the boiler plant could have some monetary value if sold. The estimated cost of procurement for the packaged boiler plant is up to £86.9k.

4.1.4 **Option 4 - Do Nothing**

Doing Nothing is not an option as the Council has an obligation to provide adequate heating and a safe environment to its tenants, staff and others using The King Centre.

In the event of a catastrophic boiler failure during the winter months, there will be no heating available. The Council has limited supply of portable electrical heaters and

is unable to supply heaters for all occupiers. In addition, using portable electrical heaters places an unacceptable load on the electrical supply, increasing the risk of an electrical circuit failure.

Hot Water is supplied to the kitchen and welfare facilities via hot water cylinder, heated by the heating system. This can be switched to electrically heated supply thus enabling continuous hot water with or without the boilers.

5 PROGRAMME

5.1 The boilers need to be replaced before the next winter heating season in October 2023. The boiler installation can be commissioned during the start of the winter season and monitored throughout.

5.2 Duration of the installation is estimated at c3 weeks.

5.3 Planning advice will be sought regarding the New Packaged boiler installation.

6 PROCUREMENT

6.1 Under Contract Procedure Rules Rule 16 it is proposed to procure through East Midlands Efficiency Frameworks - 0026 Lot 2 - Commercial Heating & Hot water with a mini competition undertaken.

6.2 Award of the contract will be delegated to the Strategic Director of Place, in consultation with the Portfolio Holders responsible for Property and Finance.

7 RISKS

7.1 The final procurement sum may be higher than expected but the preferred Option 3 costs are based on estimates, with a 5% contingency included for both the works element and fees.

7.2 If the procurement is not approved, or there is a delay in installing the new boiler, this could result in a delay providing adequate heating to the property. As explained above limited alternative heating can be provided to some tenants only but it is not possible to safely heat the entire building using only electrical heaters.

7.3 If there are no working boilers during winter heating season it could result in the need to close the King Centre causing significant costs, reputational damage and loss of rental income (c£136,000 pa) to the Council.

8 CONSULTATION

8.1 Consultation has taken place internally with Senior Officers and Elected Members of the Council, at the Corporate Asset Project Board and with Cllr P Browne, Portfolio Holder for Planning and Property and Cllr A Johnson Deputy Leader and Portfolio Holder for Resources, Strategic Director for Places, Strategic Director for Resources and the Councils Contract Commissioning team and Finance Team, and Welland Procurement. Rutland County Council corporate procedures have been followed.

9 ALTERNATIVE OPTIONS

- 9.1 Alternative Options 1 and 2 as described in Section 4 above have been discounted on the grounds of cost, practicality, and suitability to provide a cost effective and appropriate solution. Therefore Option 3 provides the required solution to ensure the heating requirements of the building are met in a cost-effective manner.
- 9.2 The Council has an obligation to provide adequate heating and a safe environment to its tenants, staff and others using The King Centre. If the heating system fails the Council will not be able to maintain services and may need to close the Property, which would have adverse reputational and financial impacts for the Council, the tenants and users of the King Centre as well as the local economy.

10 FINANCIAL IMPLICATIONS

- 10.1 Repair costs since 2018 have been c£25k.
- 10.2 Increased service regime to address issues affecting the current boilers and installation have incurred additional costs of £900 to date this financial year.
- 10.3 The replacement boilers installation costs of up to c£87k are classed as Capital Replacement with no capital budget currently allocated.
- 10.4 The indicative Capital Allocations Report (197/2022) Allocated £1.661m of capital receipts for optimising the use of assets, it is proposed that £87k of capital receipts be allocated to this project.
- 10.5 Maintenance and running costs for the packaged boiler plant are estimated to be c£450 pa excl VAT and are in line with current utility expenditure and typical maintenance and servicing costs for modern boilers.
- 10.6 The King Centre produces a rental income of c£136,000 pa. The boiler replacement will help to maintain this income stream for several years.
- 10.7 The high-level cost outline of the project is as per the table below: -

Item	Cost
Works (Including 5% Contingency)	£73,162
Professional Fees (incl of internal staff recharge)	£11,574
Fees	£1,500
5% Contingency on Fees	£654
Total Cost of Works	£86,890

- 10.8 The expected life of the asset is 20 years as per paragraph 4.1.3. Based on the Total cost of £86,890 the annual depreciation charge will be £4.3k.

11 LEGAL AND GOVERNANCE CONSIDERATIONS

- 11.1 Authorisation to Procure and award a contract is required from Cabinet under Contract Procedure Rule 16 Procurements for contracts valued between £50,000 p.a. and the Current Goods and Services UK Procurement Threshold of £4,447,447.
- 11.2 A Building Regulation Application required under Part L of the Building Regulations.

11.3 Planning advice will be sought regarding the new external boiler plant.

12 DATA PROTECTION IMPLICATIONS

12.1 A Data Protection Impact Assessments (DPIA) Stage 1 has been completed. No adverse or other significant risks/issues were found. A copy of the DPIA can be obtained from Lewis Hopcroft lhopcroft@rutland.gov.uk

13 EQUALITY IMPACT ASSESSMENT)

13.1 An Equality Impact Assessment (EqIA) has not been completed for the following as there are no service, policy or organisational changes being proposed.

14 COMMUNITY SAFETY IMPLICATIONS

14.1 Not applicable.

15 HEALTH AND WELLBEING IMPLICATIONS

15.1 Provision of new boilers will ensure The King Centre is heated sufficiently to provide a safe working environment.

16 ORGANISATIONAL IMPLICATIONS

16.1 Environmental implications

16.1.1 No environmental implications

16.2 Procurement Implications

16.2.1 The boiler works will be procured via EEM Framework, compliant with Public Contract Regulations 2015. The specification setting out the detail of work and installation required will be sourced through the Scape Framework – Perfect Circle.

16.2.2 Social Value

As a not-for-profit organisation, EEM Framework chooses to distribute its operating surplus to the membership in the form of Community Donations. These donations are split proportionally between members, based on their spend through the framework in the previous financial year. Suppliers spend on materials through their supply chain for contracts with EEM members also contributes to members' Community Donations.

EEM Framework supports SME's and currently 99% of the frameworks supply chain is SME.

17 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

17.1 The recommendations set out in Option 3 of this report are supported as it will ensure the Council is able to adequately heat the property, continues to provide business space to its occupiers and prolongs the useful life of the property.

18 BACKGROUND PAPERS

18.1 Indicative Capital Allocations Report (Report No. 197/2022 – Cabinet – December

2022)

19 APPENDICES

19.1 There are no appendices to the report.

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.