

**Capital Scheme No:**

**Parent Scheme No:**

**DCR Clearance No.**

**Design & Cost Report**

**REPORT OF** Director of City Services

**REPORT TO** Executive Board

**SUBJECT :** St George House Cooling System

<b>Electoral Wards Affected :</b>	<b>Specific Implications For :</b> Ethnic Minorities <input type="checkbox"/> Women <input type="checkbox"/> Disabled People <input type="checkbox"/>
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Executive Function  Eligible for Call In  Not eligible for Call In   
*(details contained within the report)*

**EXECUTIVE SUMMARY**

St. George House is leased by Development Department as part of the investment property portfolio. Part of the building is occupied by Legal Services. There have been regular complaints about high temperatures in the summer months and it has been established that these temperatures are significantly worse than other office accommodation used by the Council and that they lead to unreasonable working conditions for staff based in the building during summer.

Currently Legal and Democratic Services spend around £40,000 each summer on temporary cooling equipment but this still fails to deliver reasonable working conditions. A feasibility study carried out by Architectural Design Services provides an estimated cost of £316,000 for the installation of a permanent cooling system.

This report proposes that a permanent cooling system is installed funded by prudential borrowing using the £40,000 revenue savings generated through not requiring temporary cooling equipment each summer.

The report seeks approval for an injection of £316,000 and authority to spend this amount on the project.

## **1.0. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to seek approval to inject £316,000 into the Capital Programme and gain Authority to Spend of the same amount on proposals to fund the installation of a permanent cooling system in St. George House. The scheme will be funded by prudential borrowing using revenue savings generated through not requiring temporary cooling equipment each summer.

## **2.0 Background**

- 2.1 St. George House is vested in Development Department as part of the investment portfolio and is held under a 99 year lease which expires end of February 2083. Part of the building is occupied by Legal Services with Facilities Management functions provided by Civic Buildings. Development Department also have other tenants in the building, in particular Robson Rhodes occupy a large area (with a cooling system already in place). DTZ act as landlord's agent on behalf of Development Department in respect of private sector tenants.
- 2.2 Since Legal Services moved in to the building there have been frequent problems with high temperatures reported during the Summer months. In response to these problems and complaints a number of investigations have been carried out by Energy Unit and Architectural Design Services resulting in reports provided in September 2002 and June 2003.
- 2.3 A wide range of actions and initiatives have been implemented to identify the cause of high temperatures and make the reductions necessary to provide a reasonable office environment. Unfortunately these have had no significant impact on the problems.
- 2.4 In recent years it has been necessary to install temporary cooling units in to the building at a cost of around £40,000 per annum. This has been funded from Legal Services revenue budget. This temporary solution has still not been successful in providing reasonable working conditions. Staff in the building have been subjected to high temperatures on a regular basis.

## **3.0 Feasibility Study**

- 3.1 Architectural Design Services (ADS) were requested to undertake a feasibility study in to the installation of cooling equipment. This study was completed in December 2005 and concluded that it would be possible to install a Variable Refrigerant Multi Split Cooling System with heat pump units on a gantry at the east end of the inner courtyard.
- 3.2 The feasibility study provided a final cost estimates of £316,000 (including professional fees) for the installation of a mechanical cooling system.

## **4.0 Prudential Borrowing Business Case**

- 4.1 In view of the proposal to fund the works using prudential borrowing the appropriate business case report has been approved by Finance Performance Group.

- 4.2 Legal Services have confirmed the cost of temporary cooling equipment at £40,000 per annum and this sum is budgeted for in the Legal and Democratic Services 2006/07 budget.
- 4.3 In financial terms the projections demonstrate that the installation costs of £316,000 plus interest would be covered within a period of just over 10 years. After this period savings would be made.
- 4.4 Mechanical and ventilation equipment of this type would typically have an operating life of 15 to 20 years. The installation of this equipment would mean that the whole building would be comfort cooled. This should improve the value and potential lease income generated in the building.
- 4.5 A number of other non-financial benefits would be realised if the project was successfully implemented. These include:
- reduction in time lost due to unacceptable conditions
  - improved working conditions, reduced complaints, and higher staff satisfaction ratings leading to higher productivity
  - Council meets its responsibility under Health and Safety Executive guidance publication, "Thermal Comfort in the Workplace".

## 5.0 PROJECT PROGRAMME

- 5.1 The feasibility study included the completion of design work and preparation of tender documentation. This work has been completed and the proposed project programme is as follows:

- Tenders Out 23.6. 2006
- Tenders In 21.7.2006
- Start on Site 4.9.2006
- Practical Completion 8.12.2006

Subject to approval of this report and receipt of suitable tenders there are no foreseeable reasons why this programme cannot be achieved.

## 6.0 RESOURCE IMPLICATIONS

- 6.1 ADS have provided a pre-tender estimate for the project with a base date of 4<sup>th</sup> quarter 2005. The total cost of the scheme is estimated at £316,000 including fees estimated at £34000. Clearly, the final costs of the project will depend on tenders submitted.
- 6.2 The capital funding and cashflow statement is set out below:
- 6.3 As stated above, annual savings of £40,000 generated from not needing to provide temporary cooling equipment will be used to support prudential borrowing for this project.

Previous total Authority to Spend on this scheme	TOTAL £000's	O MARCH 2005 £000's	FORECAST				
			2005/06 £000's	2006/07 £000's	2007/08 £000's	2008/09 £000's	2009 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	0.0						
<b>TOTALS</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Authority to Spend required for this Approval	TOTAL £000's	O MARCH 2005 £000's	FORECAST				
			2005/06 £000's	2006/07 £000's	2007/08 £000's	2008/09 £000's	2009 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	269.0			255.5	13.5		
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	47.0			47.0			
OTHER COSTS (7)	0.0						
<b>TOTALS</b>	<b>316.0</b>	<b>0.0</b>	<b>0.0</b>	<b>302.5</b>	<b>13.5</b>	<b>0.0</b>	<b>0.0</b>

Total overall Funding (As per latest Capital Programme)	TOTAL £000's	O MARCH 2005 £000's	FORECAST				
			2005/06 £000's	2006/07 £000's	2007/08 £000's	2008/09 £000's	2009 on £000's
Unsupported Borrowing	316.0			302.5	13.5		
Total Funding	316.0	0.0	0.0	302.5	13.5	0.0	0.0
<b>Balance / Shortfall =</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>

## 7.0 RISK ASSESSMENT

- 7.1 A major risk to this project is that tenders submitted exceed the budget available. There is some evidence that tender price inflation is rising due to the amount of construction work being carried out in the City. However, the project budget has been set using a detailed pre-tender estimate (base date 4<sup>th</sup> quarter 2005).
- 7.2 In any refurbishment project for a building of this age there is the potential for unforeseeable works to arise. The risks of such problems have been minimised through carrying out all the relevant tests and surveys as part of the feasibility study.
- 7.3 Difficulties may arise through the work being carried out whilst the rest of the building continues to operate normally. There is the potential for the work to disrupt other activities in the building or for delays in the project due to requests to stop work. The tender documents refer to the need to minimise disruption to the operation of the building and careful consideration will be given to the detailed work plan provided by the successful contractor.

## **8.0 COMPLIANCE WITH COUNCIL POLICIES**

8.1 This project complies with Council Policies, Strategies and Initiatives, and the Council's Corporate Plan. In particular health and safety, environmental matters, equal opportunities and customer care issues have all been carefully considered in the development of the proposals.

## **9.0 RECOMMENDATIONS**

Executive Board is requested to :

1. Approve an injection of £316,000 into the Capital Programme
2. Authorise expenditure of £316,000 on this project.

## **10.0 BACKGROUND PAPERS**

- Feasibility Study, St George House Cooling System December 2005.