

REPORT TO: POLICY & RESOURCES COMMITTEE - 11 DECEMBER 2006

REPORT ON: DUNDEE HOUSE UPDATE

REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)

REPORT NO: 608-2006

1 PURPOSE OF REPORT

The purpose of this report is to provide an update on the development of the Dundee House project.

2 RECOMMENDATIONS

The Policy & Resources Committee is asked to:

- 2.1 note the current position on the development of Dundee House;
- 2.2 agree the draft designs which will be submitted by Reiach & Hall and on display at the Committee meeting on 22 November 2006;
- 2.3 note the revised timescale for the development, construction and completion of Dundee House with occupation in March 2010;
- 2.4 note the revised total estimated cost of £30m (at outturn prices) and the fact that the Head of Finance is to include a revised phasing and revised cost of £30m within the Capital Plan 2007-2010 which is currently being prepared.
- 2.5 approve the acceptance of the offer from Raeburn Drilling and Geotechnical Limited in the amount of £77,074.53 for the ground investigation tender assessment.
- 2.6 agree that the officers progress the development, construction and completion of Dundee House and bring back further reports at appropriate times.

3 FINANCIAL IMPLICATIONS

- 3.1 The financial implications of this report are predominantly of a capital nature. If the recommendations included within the report are agreed then the estimated total capital cost of Dundee House will have increased from £24.9m at 2006/07 prices to £30.0m at 2009/10 prices, to reflect the effect of building inflation over a longer period, and also the fact that Dundee House will now accommodate 925 staff as opposed to the original planned number of 820 staff. A detailed build up of the revised estimated capital cost is enclosed at Appendix A.
- 3.2 Subject to approval of this report by the Committee, the revised phasing of the estimated total capital expenditure of £30m will be included in the Capital Plan 2007 to 2010 which is currently being prepared. The funding for the capital expenditure on Dundee House will be a combination of accumulated capital receipts held in the Capital Fund, existing provision in the Capital Plan and additional prudential borrowing and a detailed analysis of the funding is included in Appendix A.

4 SUSTAINABILITY POLICY IMPLICATIONS

- 4.1 The optimal use of the Council's city centre accommodation will be in line with the following key themes of Sustainability Policy:

- Resources are used efficiently and waste is minimised (across a wide range of factors including energy, sustainability etc.)
- Access to facilities, services, goods and people is not achieved at the expense of the environment and is accessible to all.

4.2 The construction industry has a formal scheme for assessing the environmental and sustainability of buildings operated through Building Research entitled the BREEAM scheme. The scheme gives each building a BREEAM rating and the Council have included in the architects brief that Dundee House should be constructed to the highest BREEAM level being an Excellent rating. At present there are only seven buildings in Scotland which have an Excellent rating. The present design is achieving a Very Good BREEAM rating, however the project team believe that the Excellent rating will be achieved in the final design and construction

5 **EQUAL OPPORTUNITIES IMPLICATIONS**

The Disability Discrimination Act 1995 requires equal access for people with disabilities to all public buildings by the year 2004. The design proposals attached to this report have been prepared to facilitate compliance with the Act, and this applies to the One Stop Shop on the ground floor and the offices on the other floors of Dundee House.

6 **BACKGROUND**

6.1 The Policy & Resources Committee at its meeting on 12 September 2005 approved Report 565/2005 which set the process for the development of the Dundee House office accommodation.

6.2 The key elements of Report 565/2005 were as follows:

- a Tayside House be replaced by an office development in North Lindsay Street named Dundee House.
- b A Project Board be established to oversee the development of the Dundee House.
- c An advert be placed in the Official Journal of the European Union (OJEU) inviting tenders for a design team to develop the Dundee House project.
- d Dundee House was to be designed to accommodate approximately 820 staff over a floor area of 12,375 square metres.
- e A Design Panel be established to provide external comments on the design proposals.
- f The estimated total capital expenditure of Dundee House was £22.9m at 2005 prices and £24.9m at 2006/07 prices.
- g The capital expenditure of £24.9m (at 2006/07 outturn prices) would be funded through a combination of accumulated capital receipts; prudential borrowing and provision already included in the Council's approved Capital Plan.
- h A provisional timetable for the design, construction and occupation of Dundee House was set out showing the transfer of staff occurring in January 2009.

6.3 The project that was approved by the Policy & Resources Committee on 12 September 2005 has moved forward and the following is a summary of the current position of the project.

- a The Project Board met on 8 May 2006 to consider an update on the Dundee House project and to make a recommendation in respect of the Lead Consultants. The recommendation was that Reiach & Hall, Architects, Edinburgh, be appointed and this was approved by a Special Policy & Resources Committee on 15 May 2006.
- b Since May 2006, the Project Team have been in regular contact with Reiach & Hall and the scoping out of the provisional design has been progressing well. In addition, the members of the Project Team have met with departments to assess their detailed requirements for Dundee House.
- c As part of the above meetings and consultation exercise, the scale of Dundee House has been reviewed. The original plan as set out in Report 565-2005 which was approved by the Policy & Resources Committee on 12 September 2005 assumed that the building would accommodate 820 staff and have a capacity of 12,375 square metres. It assumed that 105 Revenues Division staff would be located in City House, which the Council presently lease from the private sector.
- d An option appraisal has been carried out regarding the location of the 105 Revenues Division staff in either City House or the new Dundee House. This option appraisal demonstrated that the total revenue cost for occupying three floors of City House would be £210,000 per annum, while the additional finance charges and operating cost of accommodating the 105 Revenues staff in the new Dundee House would be circa £160,000. In light of the outcome of the option appraisal and the fact that it would be more operationally effective to have all the Revenues staff in one building, it is proposed to locate the 105 Revenues Division staff in Dundee House and increase the total staff located in Dundee House from 820 to approximately 925.
- e The estimated total capital cost of a Dundee House built to accommodate 820 staff was £24.9m at 2006/07 prices. In light of the increased size of Dundee House referred to in (d) above, it will be necessary to increase the estimated Capital budget at 2006/07 prices from £24.9m to £27.3m. However the annual borrowing costs of the additional prudential borrowing of £160,000, will be more than offset by the saving of £210,000 in rental and service charges that would have been payable for the three floors of City House. In addition, building inflation has had to be applied to raise the 2006/07 prices to 2009/10 prices and this added a further £2.7m and will raise the out-turn cost from £27.3m to £30.0m.
- f The original programme for Dundee House as set out in Report 565-2005 was that the building would be completed by November 2008 and staff transferred by January 2009. However the current programme for delivery of the project envisages staff transferring in March 2010. The original programme did not envisage the extent of public consultation that took place prior to appointing the Architects. The original programme was based on a design and construct building contract, however it is now to be delivered through a traditional building contract in order to achieve greater control over cost and design and reduce risks relating to departmental fit-out. Finally the Council slightly underestimated the construction period. The culmination of these three factors means that Dundee House is now expected to be complete by late 2009 and occupied by staff by March 2010. A detailed programme for the construction of Dundee House is enclosed with this report.
- g The architects, Reiach and Hall, have now completed their draft design proposals and these will be presented to the Policy & Resources at the meeting on 11 December 2006.
- h The Project Design Panel, which includes representatives of University of Dundee, Dundee Civic Trust, Dundee Institute of Architecture and Historic Scotland, met on

15 November 2006 to view the draft designs and the general view was extremely positive towards the draft designs.

- i The Design Team, including Reiach & Hall were asked to obtain offers for ground investigation tender assessment and 3 offers were received. The lowest offer did not fully comply with the requirements of the specification and the second lowest offer of £77,074.53 from Raeburn Drilling and Geotechnical Limited is recommended for acceptance. This sum is contained within the overall projected project cost of £30m.

7 CONCLUSION

- 7.1 When the Board considered a report on the development of Dundee House in September 2005 the estimated total cost at 2006/07 prices was £24.9m. It has now been necessary to apply building inflation to provide an estimated total cost at 2009/10 prices. In addition the continuous development of the Dundee House office accommodation project over the last 12 months has identified that the original scale of the building should be increased to accommodate an additional 105 staff. This increase in the scale of the building and the application of building inflation increases the capital cost of Dundee House from £24.9m at 2006/07 prices to £30.0m at outturn or 2009/10 prices, and this increased estimated total cost can be afforded from a combination of accumulated capital receipts and prudential borrowing.
- 7.2 The project architects, Reiach & Hall will submit their draft design proposals to the Policy & Resources Committee meeting on 11 December 2006.

8 CONSULTATION

The Chief Executive, Depute Chief Executive (Support Services) and Director of Economic Development have been consulted in the preparation of this report.

9 BACKGROUND PAPERS

None

DAVID K DORWARD
DEPUTE CHIEF EXECUTIVE (FINANCE)

7 DECEMBER 2006

**PROJECTED CAPITAL EXPENDITURE (AT OUTTURN PRICES)
AND FUNDING**

£

PROJECTED CAPITAL EXPENDITURE

Building Cost	20,372,000
Fit out cost	3,693,000
Fees	2,331,250
Furniture	900,000
	<u>27,296,250</u>
Inflation to raise cost to 2009/10 prices	2,703,750
	<u><u>30,000,000</u></u>

PROJECTED CAPITAL FUNDING

CAPITAL FUND (ie accumulated capital receipts)	18,347,000
CURRENT PRUDENTIAL BORROWING IN APPROVED CAPITAL PLAN	2,710,000
ADDITIONAL PRUDENTIAL BORROWINGS:-	
DUE TO SAVINGS IN RUNNING COSTS	3,000,000
DUE TO SAVINGS IN CITY HOUSE COSTS	3,000,000
FURTHER PRUDENTIAL BORROWING	<u>2,943,000</u>
	<u><u>30,000,000</u></u>

