

## Premier Inn Hotel Conversion, United Kingdom

### Challenges

- The project involved the conversion of a nine storey office into a 120 bed Premier Inn hotel.
- The client had owned the office building for some time which was in the centre of the town in an area within a reasonable distance from London and the 2012 Olympic site and was part of a design and build conversion project.
- We were asked to review the project on completion of the works. Its nature meant that the following issues were of interest to us:
  - Demolition of existing plant in the old office.
  - New plant and machinery.
  - Incidental works to the new plant and machinery.
  - Enhanced capital allowances on any energy or water saving plant and machinery.
  - Remediation of asbestos.
  - Revenue repair and maintenance expenditure.

### Solutions

- We analysed the expenditure incurred and carried out a full site survey of the property and all installed plant and machinery.
- The site survey included a review of the operations and maintenance manuals to pick up the enhanced capital allowances qualifying equipment.
- In these instances a detailed inspection was required to record the installations on site and ensure that all equipment in the manuals reflected what was in place.
- Certain enhanced capital allowances qualifying equipment needed to be certified by the contractor,
- Sub-contractor or engineer, which can be difficult when reviewing the project after completion.
- The enhanced capital allowances items which had an interest in included:
  - Heat pump air-conditioning system.
  - Boilers and water heaters.
  - Motors and drives.
  - Lighting.
  - Pipework insulation.

### Results

- 67% of the costs qualified for plant and machinery capital allowances, with the remainder qualifying for final years of hotel allowances.
- Within this, around 22% were within the more valuable category of main pool plant and 44% qualified as integral features.
- There was some disappointment with the value of enhanced capital allowances qualifying plant, specifically in the area of heat pump air-conditioning systems. A VRF system was specified, but the sizing of the equipment meant that only



the system to one floor of the nine storey building qualified.

- This resulted in the enhanced capital allowances ending up as only 1% of the costs when they could have made up 10% and converted an allowance with a long-term return to one providing an immediate benefit.

### **Reflections**

- The major issue highlighted in this project was the importance of consideration to the specification of certain key installations at an appropriate time in the construction process.
- All that would have been necessary to have changed the outcome and significantly was a check on the specification prior to the order of the VRF system.
- Cost was not an issue as the sizing of the equipment would have only led to a slight increase in its cost.