

Report of the Director of Resources

Accommodation Project – End of Stage Update

Summary

1. This report provides a progress update for the council's corporate accommodation project, which includes the targets and achievements for the period April 2007 to April 2008.
2. The main focus of the report is the development of the design for the Council's new headquarters building at Hungate and the subsequent planning application submitted in May 2008.
3. It sets out how the design for the new building has responded to feedback from professional bodies, the wider York Community, Council Members and staff. How it continues to respond to the overall brief in terms of providing a building that is customer focussed, sustainable in terms of its economic and environmental impact, fully inclusive and accessible to everyone and meets the future business needs of the council.
4. It sets out the reasons why the development of the design has led to increased construction costs and demonstrates how these can be contained within the affordability criteria set out in the projects 2005 business case and still represent significant savings to the council.
5. It seeks Members approval to a revised business case for the project.

Background

6. At the Executive meeting on 22nd November 2005, Members approved the overall business case to rationalise the council's administrative accommodation portfolio and to provide a new city centre administrative headquarters, incorporating a one-stop customer centre on the Hungate development site.
7. The key project benefits are:
 - Rationalisation of the council's current administration accommodation portfolio which is anticipated to cost over £140m over the next 30 years.

- A fully integrated York Customer Centre providing customers a single contact centre to enable all services to be accessed in one place, quickly, simply and effectively.
- A modern office environment, which supports an open interactive culture and facilitates flexible working styles, aids recruitment, staff retention and contributes toward reducing staff absence.
- Compliance with current legislation in terms of Disability Discrimination Act in providing buildings and services that are accessible to everyone.
- An accommodation solution that is sustainable in terms of economic, social and environmental impact, supported through three main targets: A score of “Excellent” under the British Research Establishment Environmental Assessment Model (BREEAM), to better Building Regulations CO2 emissions requirement by 30% and to include 20% on site renewable energy generation.
- A building that is effective and efficient to enable the delivery of excellent customer services and unlock the efficiency gains identified as part of the Gershon agenda.
- Inward investment to the city to a value approximately £50m.
- The opportunity to release a number of important historic buildings, for example, St Leonard’s for restoration and more appropriate use.
- Contribution of £1m toward the enhancement of social services facilities, including a new hydrotherapy pool at Oakland’s swimming pool.
- Provide a significant lever towards improving the Council’s CPA rating through new corporate working arrangements.
- Contribute towards the Council’s overall value for money assessment.
- Supports the reorganisation of the York Ambulance Service through the provision of land at the Yearsley Bridge site

8. The key components of the project are:

- The land assembly at the Hungate site, including the relocation of the Peasholme Hostel and the Ambulance Station, the closure of the Haymarket car park, and archaeological investigations.
- The property exit strategy including the sale of existing freehold premises and land, and the extension and/or termination of existing lease arrangements.
- The design and construction of both the new administrative headquarters at Hungate and the Peasholme Relocation Centre.
- ICT connectivity to the new premises, the reorganisation of the ICT network to two principal data sites, and the decommissioning of all of the vacated sites.

- A review of the current facilities management (FM) arrangements, and the formulation and implementation of a central FM service for the new accommodation portfolio .
- A future business needs study to inform the user brief for the new accommodation and the associated development and implementation of future accommodation occupancy arrangements.

Progress To Date

9. The project has been divided into stages with progress being reported at key stages/milestones. The following represents Stage 3 and covers the period April 2007 to April 2008.
10. A planning application for the new headquarters was submitted week commencing 19th May (ref. 08/01201/FULM). The project remains on target for the occupation of Hungate by 2010 despite an extended period of Hungate design development.
11. The targets and outcomes for stage 3 have been achieved with the exception of the relocation of the Ambulance Station and the subsequent closure of the Haymarket car park an element of Hungate land assembly, although positive efforts continue to be made to resolve the outstanding issues in these particular areas.

Stage 3 - Targets and Achievements		
• Archaeological investigation report	Apr 2007	3
• Peasholme Hostel planning approval	Apr 2007	3
• Value Management workshop	Apr 2007	3
• Sustainability workshop	May 2007	3
• Hungate feasibility study	May 2007	3
• 50 York Road lease renewal	May 2007	3
• Commence construction Peasholme Hostel	May 2007	3
• Facilities Management options report	Jun 2007	3
• Vacant possession Blake Street	Jun 2007	3
• Hungate sketch design options - Stage C	Jul 2007	3
• Ashbank secure access rights	Jul 2007	3
• Facilities Management business case	Oct 2007	3
• Commence Phase 1 Space Planning	Nov 2007	3
• Hungate design proposals	Nov 2007	3
• Hungate RIBA Stage C – Board approval	Jan 2008	3
• Vacant possession of No.2 Lodge, Yearsley Bridge	Jan 2008	3
• Facilities Management - Scoping workshop	Jan 2008	3
• Hungate RIBA Stage D Preliminary Board approval	Feb 2008	3
• Hungate Pre- planning exhibition	Mar 2008	3
• Haymarket car park closure	Mar 2008	
• Vacant possession of Ambulance Station site at Hungate	Apr 2008	
• Hungate RIBA Stage D – Board approval	Apr 2008	3
• End of Stage 3	Apr 2008	3

Land Assembly

12. Relocation of The Ambulance Station. The council has continued to work with the York Ambulance Service (YAS) to deliver their relocation plan which includes the sale of council land at Yearsley Bridge in support of their future permanent solution. Heads of Terms have been agreed and Legal has been instructed to progress the transaction. The Ambulance Service are currently working to provide a replacement service.
13. Peasholme Hostel. Planning approval has been achieved for a new hostel on the Fishergate site. The construction of the new hostel is well underway despite a significant delay due to difficulties in piling the foundations for the new premises. The piling operation is now complete and the revised handover date set for November 2008.
14. Archaeological Investigations - Hungate. Phase one archaeological investigations on the Hungate site were undertaken in the summer of 2007, findings found nothing of significance on the site that would warrant anything other than a watching brief during the construction phase of the project. A second phase of investigations is required on the north west corner of the site and will commence following the demolition of the Ambulance Station in August 2008.

Property Exit Strategy

15. Extension of Existing Leases. All leases for existing administrative accommodation premises including both Millhouse and 50 York Road Acomb have been secured to meet the timescales and cost profiles in the project business case.
16. Early Sale of Blake Street. Early vacation of these premises has presented the opportunity for an early sale and lease back arrangement with York Conservation Trust (originally scheduled to take place towards the end of the project in 2010). This has enabled the relocation of the York Tourist Centre Service from its current locations at the De Grey Rooms and 10/12 George Hudson Street into a newly refurbished public accessible building at Blake Street. Heads of Terms have been agreed and a planning application for the refurbishment is due to be submitted at the end of May 2008.
17. Sale of Ashbank. A pre application scheme has been submitted for Planners comments and consultants have been appointed to progress a planning application for residential use of the site.
18. Dilapidations Report. Consultants have been commissioned to undertake a dilapidations survey to provide a more robust estimate of the costs the council is likely to incur when they vacate the various leased premises.

Facilities Management (FM)

19. The provision of a central Facilities Management Service is a principle that has been agreed for the new accommodation portfolio with the

purpose of providing the support services required enabling service areas to concentrate on their core business. The service is likely to include; security – including access control, reactive and planned maintenance, cleaning, business reception, electronic meeting room and resource booking, waste and recycling management, space planning and office protocol management.

20. The recommended delivery option for CYC is that of a Total Facilities Management (TFM) model (or bundled service provision) whereby the service provider/contractor delivers the entire management and service delivery using a combination of their own resources and directly sub-contracted suppliers.
21. Work is progressing to appoint a development officer and FM advisors to lead the development and implementations of the FM model.

User Development

22. The user development group continues to provide the communication and consultation links between the project, the work of the group and individual directorates particularly in relation to the needs assessment studies and space planning and the development and implementation of supporting pilot studies, office protocols, future facilities management arrangements and the overall logistics of moving to the new office portfolio.
23. The team continues to visit other authorities and the private sector to gather useful benchmarking/best practice information from recently implemented transformational accommodation projects. Recent visits include the DEFRA site at Peasholme Green where they are implementing a refurbishment programme to modernise and move from cellular office arrangements to open plan and Barnsley MBC where they have delivered a new back of office facility as part of a transformational project creating a professional, modern, flexible working environment to support council staff achieve their outcomes.

Space Planning

24. Space planning for the new portfolio is being managed in three phases:
 - Phase 1 – Initial Space Plan to be completed July 2008
 - Phase 2 – Interim space plan to be completed by summer 2009
 - Phase 3 – Final Space Place plan to be completed by early 2010.
25. Development work will be ongoing between each of the phases reflecting changes in service delivery. Phase 1 commenced in November 2007 when each service area completed a detailed questionnaire relating to their working style, use of meeting/conference facilities, key adjacencies and requirements for satellite accommodation. This data was interpreted by the designers for the Hungate building to produce workstyle profiles, proposed space types and suggested layout options for each service area. This information was presented to directorates across a series of workshops earlier in 2008.

26. The outcomes from these sessions are now being incorporated into an initial space plan for Hungate which will be presented to the Project Board later in June 2008. These early outcomes will also inform proposals for the future use of space in the Guildhall, St Anthony's House, 50 York Road and the Eco Depot offices.

Hungate Design

27. A planning application for the new Hungate headquarters has been submitted and registered.
28. The design has evolved over the past few months in response to feedback received following consultation with stakeholders and professional bodies. The Council's new headquarters are expected to transform the way in which the Council responds to its customers, by creating an effective, high quality environment from which future services will be delivered. Full details and supporting documents and images are available through the Council's website and Planning portal on www.york.gov.uk.
29. In support of the planning application, a display of the final design images are also available to view on the ground floor of the Council's offices at 18 Back Swinegate.
30. The very early designs for the new headquarters in Hungate reflected a distinct split between the public realm and the more private office accommodation grouping the office accommodation at the rear of the site on five floors in a regular form, driven by a grid and efficient office planning. The public elements of the building including the York Customer Centre and conference facilities were driven by function rather than grid positioned on the front elevation on two storeys. The shape and form of the building was somewhat irregular with the materials made up of predominantly brick.
31. This initial design received unfavourable feedback both from within the council and externally from professional bodies such as English Heritage and CABI and was therefore abandoned early in the development stage of the design.
32. Feedback suggested the need for a more integrated design with a wider choice of materials such as natural stone with significantly more glass. This led to the development of a design which incorporated a central atrium around which the rest of the accommodation was configured on 5 floors, set back at the corner adjacent to the Black Swan Pub. The Front elevation predominantly reflecting the public realm incorporating the York Customer Centre on the ground floor with conference facilities on the floors directly above interspersed among elements of office accommodation. The early development of a bio tower housing the sustainable operating plant for the building and acting as a beacon reinforcing the sustainability credentials of the council has always received positive feedback and remained an integral part of the design.

33. In terms of materiality the building incorporated a limited amount of stone with significantly more glass introducing bronzed coloured metal features on the front elevations, reconstituted stone and timber cladding on the bio tower.
34. The first stage of the new design was presented at a design exhibition held in the Mansion House early in March 2008. Professional bodies such as English Heritage, CABI, the wider York community, the media, Council Members and staff were invited to comment on these latest designs. The new design was subsequently displayed on the council website and in the Guildhall reception with the purpose of gaining wider feedback from York Citizens.
35. The majority of feedback fell into a number of categories, which have been responded to in the latest design proposals as follows:
 - a) Concern relating to the overall scale of the building leading to the domination of the Black Swan Inn – The Hungate master plan is comprised of mixed use blocks that vary in scale from four to six stories. The blocks are continuous perimeter developments with tower elements accenting the corners and creating focal points from within the scheme. The master plan designated our site as a three to six storey office development with the emphasis of four storey corners located very close to the Black Swan Inn.
The design has been modified and the building is now slightly further back from the Black Swan Inn and road along Peasholme Green. The scale of the building has been altered by setting back the top floor adjacent from the pub creating a balcony leading from the conference facilities. This is a technique used by the Hungate residential developers and other buildings around the city.
 - b) An unconvincing main public entrance – The main entrance to the building has changed and is now double height incorporating a stronger stone surround.
 - c) The separate service bio tower is an interesting and positive element of the design although concerns relate to both the scale and height leading to restrictive views for the occupants of Hungate. The use of timber cladding is considered to be inappropriate – The Bio tower design has been improved and made smaller despite the fact that the master plan for Hungate included a 6 storey building in the same location. Timber has been discarded as an option for cladding and the use of alternative materials include reconstituted stone and zinc panelling.
 - d) The quality of materials and the use of reconstituted stone for the main building - Natural stone has now been incorporated at key points on the buildings frontage and as a plinth to other elevations. The window mullions now incorporate a high quality metal finish in grey zinc.

- e) The shape of the building as a 'square and featureless box' - As the design has developed many features have been added, increasing the variety of materials and breaking up the scale of the building through the stepping and articulation of the façade.
- f) The design does not fit well in historic context and is dull and uninspiring – The design is a modern urban office block that considers its context and massing within the wider master plan, its existing adjacencies together with the operational considerations of the council. The different elevations have been designed to respond to the civic and operational nature of the building. As a public building the elevations have intentionally been designed to be clearly different from the proposed adjacent residential developments that form the Hungate master plan. The pattern for the external elevations respond to the nature and quality that are complimentary to the public status of the building.
- Recent design development respects the scale and materiality of buildings toward the city centre. As a place for the Council to do business in the 21st century it sits well with the aspirations of the City, seeking innovation over convention through good contemporary design.

York Customer Centre

36. The customer services team have undertaken a significant amount of work within each of the service areas to inform the overall design for the York Customer Centre at Hungate. Early outcomes indicated the need for a larger centre which has now been incorporated into the current designs.
37. The proposed scheme will represent a unique opportunity for the Council to unlock a whole range of benefits in the way we deliver services to customers that can be accessed quickly, easily and conveniently.
38. There will be three zones within the Customer Centre:

A Help Zone, where:

- There will be someone to greet customers when they arrive, find out what they need and give immediate information or point them in the right direction.
- It will look like an open "shop front" - user-friendly and welcoming with information screens/displays to provide customers with a clear view of what services are available, how to access them and what expected waiting times are.
- The design and layout will provide space, amenity and choice to deal with customer enquiries without undue delay.
- It will give access to first points of contact with specialist services and external service providers working in partnership with the council, when we have joint working agreements.

A Self Service Zone, which provides:

- Supported use of alternative channels of access - phone, Internet, touch screen information points and automated payment machines to give customers a choice when contacting the Council in future.
- Access to information - pre-printed, print on demand, e-enabled

An Advisory Zone, which includes:

- A comfortable and secure environment for customers to wait and receive service.
- Adequate information displayed to customers and staff regarding waiting times and services being accessed.
- A design and layout that provides choice and privacy for confidential transactions.
- Adequate space - one customer transaction doesn't mean just one person in many instances.
- Fully accessible for disabled customers and "family friendly".
- Service specialists available to deal with enquiries in one visit
- The team are working with Children's Services and are considering designating a sub section of this area as a young people's zone

There will also be:-

- Customer toilets, baby feeding and changing facilities.
- A "Changing Places" room – the Changing Places campaign aims to increase the provision of toilets for people with profound and multiple disabilities who need special equipment and support from carers.

Sustainability

39. Sustainability is one of the Council's direction statements included within its top ten priorities. The delivery of a sustainable development has been identified as a key requirement for the council with the aim of achieving three main targets as follows:

- A British Research Establishment Environmental Assessment Model (BREEAM) "Excellent" rating (CYC planning guidance requires "very good")
- A minimum of 20% of building energy consumption to be derived from on site renewable technologies (CYC Planning guidance requires a minimum of 10%)
- Building to better the carbon emission rates required by Approved Document L2A by 30%

40. Before the final proposals were decided upon, a thorough modelling and feasibility analysis was undertaken to select the most appropriate technology (or technologies) to meet the council brief. Those that have been included within the final planning submission are as follows:

Bio Diesel - fuelled combined heat and power (CHP) system -to deliver at least 20% of the energy used on site by renewable means including electrical energy, heating demand and cooling demand (via absorption chillers) to the building using renewable fuels which will provide a significant reduction in CO2 emissions (1290 tonnes p.a.) which equates to a 86% reduction on the current administrative portfolio.

Natural Ventilation - will be utilised whenever possible in the context of a mixed mode ventilation system.

A Mechanical Cooling System - (when in operation) will utilise when possible outside air to provide free cooling, limiting further the electrical consumption of the building.

Electric Lighting System - will be provided with daylight sensing and dimming controls which will adjust the output to suit the available daylight.

Rainwater Harvesting - will be provided to the building and it is anticipated that under normal conditions all WC's, urinals and irrigation/wash down points will be fed solely from this system, limiting demand from the city's mains.

Fully integrated Drainage System & Proprietary Extensive Green Roof System - will provide a bio-diverse solution that will contribute towards enhancing the site ecology strategy and long term impact on biodiversity.

Materials – the specification of materials will follow the recommendation as set out in “The Green Guide to Specification”.

41. Those technologies that have not been included within the submission and the reasons for discounting them are as follows:

Photovoltaics - the area required to deliver 20% of the buildings energy was prohibitive and the appearance was difficult to incorporate in a sympathetic manner.

Wind Turbines - 3no @ 20metres would have been required with the associated aesthetic impact, plus the city centre environment did not deliver a sufficiently reliable wind flow.

Solar Hot Water - the energy consumption associated with the hot water system is very low, hence this would have to be a supplementary technology.

Biomass Heating - the space required for fuel storage was very difficult to incorporate especially given the archaeological restrictions.

Biomass CHP - the technology would suit the load profile, but the plant space required for the digesters and ancillary plant was difficult to incorporate within the available plant space.

Heat Pumps - there is insufficient land available to deliver 20% of the energy as the building fills most of the site. Use of the piles was considered, but again there are insufficient piles. Use of the nearby River Foss was also considered, but issues with distance, wayleaves (having to run pipes through other parties' land), environmental impact on the nature reserve and the reliability of the river flow rate made this unviable.

Corporate Priorities

42. The accommodation project is one of the council's corporate imperatives. The Design and development of the new headquarters building at Hungate will make a significant contribution to the top ten priorities as set out in the corporate strategy particularly in relation sustainability and the commitment to reduce greenhouse gas emissions from council activities by designing a building that achieves a British Establishment Environmental Assessment Model (BREEAM) rating of 'Excellent'.
43. The final design solution that has been submitted for planning approval will deliver a building that is modern and sustainable, responsive to new environmental legislation, in tune with the climate change agenda that meets the sustainability aspirations of the Council. It will be customer focused through the provision of a customer centre. It will be effective and efficient in its design, construction, subsequent operation and cost in use, incorporating appropriate systems and robust materials and finishes that are easy to manage and maintain. The building will be of a sufficient quality to be flexible and adaptable to respond to the changing needs of the council and stand the test of time. It will be capable of supporting the efficient utilization of space, new ways of working and the implementation of the Council's Organisational Effectiveness Programme.

Financial Implications

44. The first design solution was set to be delivered within a construction cost estimate of £24,669,000 a budget which was approved by the Executive in July 2007. The current scheme submitted for planning approval is the outcome of extensive consultation with key stakeholders and which now represents an increase in construction costs of £3.5m.
45. The business rationale for the move to Hungate has been driven by the fact that the Council currently operates its administrative functions from a mixture of 17 different buildings around the city. Of the 17 buildings 8 are leased and 9 are owned. The majority of the owned buildings are not purpose built offices and are falling short of the modern day

standards in terms of both office accommodation and customer contact points. The total budget for the running costs of the 17 administrative properties amounts to £2.6m per annum. However, this budget does not include any provision for any substantial repairs and maintenance works that are required if the Council were to remain with the current arrangements.

46. In developing the business case three main scenarios were developed:
- a) Do nothing (stay where we are in existing accommodation, spending existing budgets);
 - b) Stay where we are, but invest in the buildings to reduce the repairs backlog;
 - c) Move to a new purpose built facility at Hungate, and use the sale proceeds from the buildings we own, and lease savings to pay for it

Option a would cost the Council's revenue budget £115m over the 30 years from 2005/06 (when the project was approved). In today's prices (the net present value) this equates to £47m.

Option b would cost £130m over the 30 years, and involve an upfront investment of over £8m to improve the existing stock and periodic investment over the next 30 years to maintain to minimum requirements. This equates to a total cost of £53.5m in today's prices

Option c, the move to Hungate, will cost £90m over the next 30 years¹, or £41.7m in today's prices. This is a £5.3m saving in today's prices to the Council over that time. The saving is even greater if we compare the Hungate project (option c), to the more likely reality of option b, with savings of over £11m.

47. The main focus of the Council's Administrative Accommodation project is around the construction of the new office on the Hungate site. However, there are a number of other positive spin offs from the project which include a £1m enhancement of the Council's social services facilities, including a new hydrotherapy pool at Oakland's swimming pool. Premises which are, being retained, will have over £500k invested in them, and there will be a new homeless hostel to replace the facility at Peasholme Green. The St Leonard's complex will also be regenerated with the buildings being converted from offices to a mix of uses that complement the city. This is in addition to the economic regeneration of the Hungate area as a whole.
48. The project is funded from the sale of its existing office accommodation (with the exception of the Guildhall and St Anthony's house), and from borrowing, which will be largely financed from the savings the Council will make by not leasing the other office buildings. In addition there will be efficiency savings by operating from fewer sites, with fewer overheads from operating 4 buildings rather than 17.

¹ Based on the last position reported to the Executive in July 2007

A final advantage of option c is that the Council will eventually own its main office accommodation outright and will not be tied into leases which would continue to be the case in both options a and b and it is expected that the value of the new building will be more than its construction cost.

Assessing Project Affordability

- 49. The affordability of the project is affected by three main variables:
 - a) The cost of the new building
 - b) The level of capital receipts achieved from the sale of existing offices
 - c) The level and cost of borrowing
- 50. The level of borrowing is the balancing figure and has the largest impact on the affordability of the project. Therefore if the cost of the new building increases and the level of receipts stay the same, the increase will have to be met from borrowing, which will reduce the affordability of the project. The same is true if the value of receipts reduce, the gap will be funded from borrowing.
- 51. In order to measure the viability of the project, two measures of affordability have been developed.
 - a) The first is the net present value of the savings that the Council will achieve over the next 30 years by moving to the new arrangements.
 - b) The second is a more short term indicator which measures the initial revenue impact of the transition to the new buildings. This is referred to as the early years deficit and will be funded from the Council's venture fund, which stands at £4m and will therefore have no impact on the Council Tax payer.
- 52. The last business case reported to the Executive in July 2007, reported the NPV of the savings at £5.15m and the Early Years Deficit at £3.3m.

Updates to the Business Case

- 53. Since the July 2007 Executive Report, there have been a number of Project Board meetings where the business case model has been updated as new information has become available. These changes were largely linked to changes in the spend profile of the project. Table One illustrates the main changes since the last Executive that have impacted on the affordability of the project. The majority of the changes have resulted in an improvement in the affordability position, with the NPV of the savings increasing by £1.25m to £6.393m and the Early Years Deficit improving marginally. The gross capital expenditure for the whole project has remained at the approved level of £40.3m.

Table One – Previously reported changes to the affordability since the July 2007 Executive Meeting.

	NPV of Savings £m	Early Years Deficit £m

Executive July 2007	5.150	3.318
Changes:		
Mill House Rent Review (£45k p.a. increase)	0.455	-0.124
Ashbank Disposal slip from 2008/09 to 2010/11	-0.094	0.170
Yearsley Bridge Disposal – Slip to 2008/09	-0.165	0.554
Social Services Adaptations slip £800k	0.033	-0.058
York Customer Centre – cost savings in 2010/11	0.861	-0.163
3 month build delay until 30 th June 2010	0.131	-0.380
Monitor 2 slippage	0.022	-0.038
January 2008 Project Board	6.393	3.280

The Current Position

54. The current design is significantly different from the first design solution estimated to cost £24.669m a budget which is contained within the wider project budget of £40.3m approved by the Executive in July 2007.

The new design will result in an increased cost of £3.5m which is mainly attributable to the changes in materiality and the use of additional glass natural stone, reconstituted stone and zinc cladding. The 12 week delay for further design development has meant that additional inflation costs have to be factored in along with additional costs for the introduction of a Combined Heat and Power Plant and a more complex substructure.

55. A detailed cost breakdown and explanation is attached at annex 1. However, as part of the Government's drive towards making Local Authorities adopt the international financial report standards (IFRS's) and bring accounting in line with the private sector, there has been a significant accounting development that the Council can opt to take advantage of, and will benefit the project affordability.
56. The project is currently budgeted to borrow approximately £27m and was being repaid in line with the statutory rules of 4% debt repayment per annum. This method of financing was approved at the July Executive and would have meant that at the end of the 30 years there would be some debt outstanding (£9.2m), although the building would be worth far in excess of this. The new accounting regulations allow Councils to defer the repayment of debt during the construction period and match their debt repayments to the life of the asset they are buying. In the case of this project, the building is being constructed to have a life of 60 years. The benefit of deferring and extending the debt repayments over this time is to reduce the upfront costs to the Council which will reduce the early years deficit significantly. The NPV of the savings measured over the 30 years also increase, although there will continue to be a level of outstanding debt associated with the building at the end of the 30 years modeling period, this will effectively be secured against the value of the building, which will be significantly more than this level of debt estimated at £15.4m. In today's prices this equates to £3.2m in NPV terms.

57. Table 2 shows the affordability indicators assuming the new accounting rules are adopted and then assuming a capital cost increase of £3.5m and the impact on the affordability. The impact of the year end slippage has been minimal but has been shown for completeness.

Table 2 – Impact on Affordability of increased costs and accounting changes

	NPV of savings	Early Years Deficit
	£m	£m
Original Business Case July 2005	2.760	3.090
Executive July 2007	5.150	3.318
January 2008 Project Board	6.393	3.280
Change to accounting rules (repay debt over the life of the asset)	0.660	-2.579
Slippage from 2007/08 to 2008/09	0.040	-0.063
Base Position May 2008	7.093	0.683
Impact of £3.5m increase in construction costs	-2.325	1.456
Grand Total – June 2008	4.768	2.094

58. The revised affordability position therefore shows a net present value of the savings as being £4.768m, an improvement of £2m since the original business case, and the early years revenue deficit of £2.094m, a reduction of £1m from the original business case. These represent the new affordability parameters that the project is now expected to deliver.
59. Any increase in the cost of the building will result in an increased level of debt required. Table 3 illustrates the assets and liabilities associated with the position reported in July 2007 and the position assuming a £3.5m increase in the main build costs.
60. The net asset position in today's prices in 2035/36, shows that the Council's net asset base in association with the Hungate build will be almost £32m following the additional £3.5m investment requested as part of this report. The comparative asset base, if we were to remain in our existing buildings is £8m (the value of current owned accommodation).

Table 3 – Assets and Liabilities in 2035/36

<u>Exec 24th July 2007</u>			<u>Latest Position Assuming £3.5m additional investment</u>	
Prudential Borrowing*		24,422,000		29,096,000
Gross Cost of the Building		31,293,000		34,793,000
Value of Building once completed		35,000,000		35,000,000
Outstanding Debt (cash figure) in 2035/36	- 9,200,000		- 17,400,000	
NPV of Outstanding Debt (as at 2035/36)		- 1,600,000		- 3,135,000
Asset Value less Outstanding Debt in 2035/36		33,400,000		31,865,000

** the increase in net borrowing is more than £3.5m because of the changes to the accounting regulations allow a debt repayment holiday during construction, which was not the case in July 2007.*

Conclusions

61. The project continues to be affordable and make sound business sense, despite a potential increase in costs. The project would continue to be viable even if it did not return any revenue savings over the next 30 years, because of the costs associated with remaining in our current buildings, the improved asset base and non financial improvements to the way that we work.

Other Implications

- 62.
- **Financial** – the financial implications of this report are discussed in the financial section above.
 - **Human Resources** – the construction of this new building will allow the council to develop and support a more effective and efficient way of working through the development of modern working styles that will aid recruitment, staff retention and contribute toward reducing staff absence.
 - **Equalities** – the new building will enable the council to meet its obligations to provide buildings and services accessible to everyone.
 - **Legal** – The constructor has been appointed to support the design consultants prior to agreement of the Target Price. Approval from the Executive will be sought this autumn prior to works to construct the new building commence.
 - **Crime and Disorder** – there are no implications from this report.

- **Information Technology** – there are no implications from this report.
- **Property** – the property implications are contained within the body of this report.

Project Plan

63. The Stage 4 Plan for May 2008 to November 2008 will be predominantly made up of work to support the start of the construction on the Hungate site. The timetable for occupation of the new building at Hungate remains on target for late 2010. Key dates are as follows:

• Hungate Stage D (detail design)-Approval	April 2008	
• Planning Application -Hungate	May 2008	
• Planning approval - Hungate	Sept 2008	
• Agreement of final design and price - Hungate	Sept 2008	
• Vacant possession of the Hungate site	Aug 2008	
• Commencement of construction at Hungate	Nov 2008	
• Hungate building completion	Aug 2010	
• Occupation of Hungate complete	Dec 2010	

Communications

64. The project continues to work with Marketing and Communications to ensure that project progress is reported to the wider audience. As well as regular updates in News and Jobs/News in Depth publications, an interactive intranet site and email address has been established. The project's newsletter 'On the Move' was launched in late June and has received a significant amount of positive feedback in terms of its content and presentation. A further edition is scheduled for June 2008.
65. The end-of-stage update reports are programmed for both Corporate Management Team and Executive meetings. There is also a Member Steering Group (1 Lib Dem; 1Lab; 1 Con) specific to the project, which meets on a regular basis.
- Customers of the council will be engaged through the easy@york programme, the normal planning consultation process, and publications such as 'Yourcity' and 'Streets Ahead'.
 - Regular update meetings have been held with the trade union representatives and a corporate sub Joint Consultative Committee has been set up. A limited amount of union facility time is being funded through the project to secure their wider engagement and input to the project.

Risk Management

66. All risks that are likely to impact on the successful delivery of the project have been identified and recorded on the project's risk register. Where possible a mitigation strategy has been developed to prevent, reduce or transfer the risk. Regular reports to the project board include a status report of the risk register. The Key Risks to the project can be summarised as follows:

- Land Assembly at Hungate and the relocation of the Ambulance Station and the Peasholme Hostel and further archaeology on the site. Although these items are identified and recorded as high risk on the critical path for the successful delivery of the project, positive efforts continue to be made to resolve them.
- Failing to achieve planning approval for the new headquarters building at Hungate.
- Project affordability and the risks of costs exceeding budget forecasts and inflation increasing faster than has been estimated in the financial model.
- Value of capital receipts and the failure to achieve the value identified within the projects overall financial model.
- The successful implementation of a change management agenda to achieve a portfolio that meets the overall business needs of the council and the wider corporate benefits by linking to other corporate projects/programmes such as [easy@york](#), attendance at work and the introduction of new and more innovative ways of working, document management and the introduction of a corporate document management system.

Recommendations

67. Members are asked to:

- Note the content of this report and the progress of the accommodation project to date.
- Approve the revised business case for the project in support of the latest design for the new headquarters building at Hungate. That shows a net present value of savings of £4.768m, an improvement of £2m since the original business case, and the early years revenue deficit of £2.094m, a reduction of £1m from the original business case. (detailed in Table 2).

REASON:

To update the Executive on progress achieved and to monitor the project effectively.

To ensure the council's corporate imperative to rationalise the council's current administration accommodation portfolio is achieved.

To provide a fully integrated York Customer Centre providing customers a single contact centre to enable all services to be accessed in one place, quickly, simply and effectively.

To provide a modern office environment, which supports an open interactive culture and facilitates flexible working styles, aid recruitment, staff retention and contribute toward reducing staff absence.

To meet the current legislation in terms of Disability Discrimination Act in providing buildings and services that are accessible to everyone.

To achieve a score of "Excellent" under the British Research Establishment Environmental Assessment Model (BREEAM).

To include Bio Diesel CHP system and other sustainable technologies to reduce the council's CO2 emissions (1,290 tonnes p.a) by 86% compared with the current administrative portfolio.

To provide a building that is effective and efficient to enable the delivery of excellent customer services and unlock the efficiency gains identified as part of the Gershon agenda.

To bring inward investment to the city to a value approximately £50m.

To release a number of important historic buildings for restoration and more appropriate use.

To contribute £1m toward the enhancement of social services facilities, including a new hydrotherapy pool at Oakland's swimming pool.

To provide a significant lever towards improving the Council's CPA rating through new corporate working arrangements.

To contribute towards the Council's overall value for money assessment.

Contact Details

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Chief Officer Responsible for the report:
Neil Hindhaugh
Asst. Director Property Services

Report Approved **Date** 28.05.08

Simon Wiles
Director of Resources

Report Approved **Date** 28.05.08

Specialist Implications Officer(s)

Financial
Name Tom Wilkinson
Title Corporate Finance Manager
Tel No. 1187

Wards Affected: Acomb, Clifton, Fishergate, Guildhall, Heworth, Heworth Without, Micklegate

All

For further information please contact the author of the report

Background Papers:

Consultants Report February 2004 - A Strategic Review of the Council's Administrative Accommodation

Consultants' Report November 2004 - Site Option Appraisal

Donaldsons- Administrative Office Accommodation Strategy Business Case (v3.0) October 2005

Atkins – City of York – Administrative Accommodation review, Strategic Site Study, Hungate and 17-21 Piccadilly

Donaldsons – Office Accommodation Strategy, Existing Freehold Portfolio – Feasibility Study and Disposal Strategy

Office of Government Commerce – Working Without Walls publication

Design Consultants RMJM Feasibility Report June 2007

Design Consultants RMJM Stage C Addendum Report March 2008

Larch Consulting – FM Business Case

Annexes

Annex 1 – Latest Design Additions