

Report of the Director of City Strategy

Council Headquarters – Tender Award

Summary

1. This report:

- Presents the process and outcomes of the evaluation of final tenders for the delivery of the Council's new headquarters.
- It recommends Tarras Park Properties York Investors LLP ("Tarras") as the preferred bidder and sets out the key elements of their bid.
- It sets out areas of the bid that require further clarification.
- Asks Members to grant delegated authority to the Project Champion (Director of City Strategy) in consultation with the Director of Resources, subject to satisfactory clarification to enter into a contract with Tarras to deliver the Council's new Headquarters.

There are 2 Annexes to this report, annexe 2 contains information which is exempt and cannot be disclosed at present for commercial and legal reasons. It is envisaged that in due course the Council will make further information available in accordance with its constitution and information policy.

Background

2. The case for a new Council headquarters, which is one of the Council's corporate imperatives, remains as compelling as ever. The project undertaken in compliance with the Council's constitution and public procurement rules makes a significant contribution towards the Council's corporate strategy particularly in the areas of an effective organisation and an inclusive and sustainable city. The accommodation project is integral to the Council's 'More for York' transformation programme and is on track to achieve a wide range of benefits:
3. **For the customer**, in providing a purpose built York Customer Centre which will be fully flexible, accessible and compliant with the Disability Discrimination Act (DDA) and provide the single most important focal point for the new headquarters building. The new customer facility will enable quick, simple and easy access to the full range of council services in one place, in a modern customer environment that supports the delivery of the customer strategy. Customers will no longer have to visit over six different reception points in and around the city centre to access individual services.

4. **For the environment**, the aim is to have a new headquarters building that is designed to deliver benefits to the environment. Its redesign/construction and subsequent operation will achieve low greenhouse gas emissions and a minimum target of 20 per cent renewable energy, to reduce the future running costs of the building. The new headquarters will be sustainable in terms of its economic, social and environmental impact. Its central location will support the vitality of the city centre, as well as supporting the existing infrastructure and transport links for customers, visitors and the large volume of staff walking or cycling to work.
5. **For the business**, in providing a modern working environment to support an effective and efficient business operation. Rationalising 16 administrative offices down to four will achieve significant long-term savings and fund the cost of the new headquarters building, at no additional cost to the residents of York. The new headquarters will provide the potential to share space with partner organisations to support and improve partnership working and support more collaborative working between services, resulting in a more joined up and efficient delivery to customers.
6. **For the City**, by providing the opportunity for inward investment to the City by releasing a number of important historic buildings such as St Leonard's Place and Blake Street, which can be sensitively restored and put to more appropriate use.
7. At the Executive meeting on 21st October 2008 Members approved the commencement of a four stage OJEU competitive dialogue procurement process to support the development of potential solutions for the design and construction of a new headquarters building. The competitive dialogue process enables different bidders to develop different solutions to meet the requirements of the Council. Further reports to the Executive on 3rd February, 14th April and 24th July 2009 have mapped the progress of the procurement process.

Procurement

8. We have now entered the final stage (stage 4) of the OJEU competitive dialogue procurement process which includes the submission of final tenders from the selected bidders, the final evaluation of the submitted bids and subject to Members' approval the award of contract to the winning bidder.
9. On 14th September the two selected developers:
 - Aviva - Yorkshire House, Rougier Street
 - Tarras – West Offices, Station Rise

were invited to submit their final tenders by 5th October 2009.

10. The overall procurement process is governed by EU procurement regulations which stipulates that the Council must assess the tenders received on the basis of the award criteria and that the make up of the evaluation team who undertake that assessment must be consistent

across the bids. The assessment and marks awarded must be fair and transparent and the whole procurement and evaluation process must be robust and stand up to scrutiny and any subsequent challenge.

11. Throughout October and November the evaluation team, made up of both internal and external representatives from the project board, the project team and specialists from planning, sustainable development customer services, and legal have evaluated each submission using the previously agreed and published set of weighted financial and qualitative criteria. (see attached criteria annexe1).
12. Each bidder has responded positively to the Council's invitation to enter into competitive dialogue with the Council and submit tenders for the delivery of a new Council headquarters. The evaluation process has identified that the most economically advantageous tender scoring the most points is West Offices, Station Rise and the preferred bidder is therefore Tarras. The evaluation scores are contained within the exempt annexe 2.

West Offices

13. The West Offices proposal is summarised as follows:
 - It is on a single centrally located site with good sustainable transport links across the city.
 - The building with its historic importance, its attractive setting and impressive arrivals courtyard will have a civic presence and enhance the local and built environment.
 - Will provide a net internal area of 11,095 sq m. which exceeds our requirements by approximately 500sq.m
 - The additional space and configuration of the building is sufficiently flexible to support the opportunity for the council to share space in the new headquarters with other partner organisations.
 - In addition, space could be made available for other third parties and in both cases this would attract additional income for the Council.
 - Provides a fully integrated York Customer Centre that is fully inclusive, welcoming, safe and fully Disability Discrimination Act (DDA) compliant.
 - Is sustainable and benefits the environment in its design, construction and subsequent operation and exceeds the Council's sustainability brief.
 - Provides the opportunity to deliver a scheme that demonstrates an excellent example of sustainable regeneration of a historic building within the city centre, which will become a fine example of the Council's sustainable planning policies in action.
 - Provides modern and efficient office accommodation for a minimum of 1400 staff, that meets all statutory requirements and offers a fully inclusive environment supporting an open and interactive culture and flexible working regime.
 - Is deliverable within a design and construction budget of £32m.
 - Can be delivered within a realistic programme completed and ready for occupation by late 2012.
 - Has the support of the city's planners and other consultees including English Heritage and York Civic Trust.

- Is low risk to the Council in terms of cost and time constraints in that Tarras have fully committed to deliver the project within both the specified budget and timescales, at their risk.
14. The West Offices building is located to the south of the River Ouse and in the heart of the city centre on Station Rise, just off the inner ring road at Station Road. The property's main entrance frontage (eastern elevation) is to Station Rise. The property is visible from Tanner Row/Toft Green along its southern elevation. The northern elevation faces the historic city walls and the western elevation faces Hudson House, a 1960s office development. The property forms part of a wider site, which comprises a collection of office buildings historically occupied by businesses active in the railway industries.
 15. West Offices is a Grade 2* listed structure of historical importance to the city and nationally. The original buildings comprise of mid-19th century railway station and hotel with later alterations and additions. The site retains both architectural interest and historical significance as the buildings represented the forefront of the early development of railway buildings, in terms of station and hotel design.
 16. Tarras intend to demolish some of the later additions and construct a large infill extension, with bridge links, linking to the existing refurbished building. The old main entrance into what was the station building, along the southern elevation, will be brought back into use as the main entrance for visitors/customers of the building. The cellular nature of the existing U-shaped building prohibits the creation of open plan office space within these areas and therefore the majority of these existing rooms will be utilised as meeting rooms and ancillary accommodation. The newly created building within the centre will provide open plan office accommodation and natural lighting will be provided at lower levels through the incorporation of light wells.
 17. Tarras are the freeholder of the site and will transfer a substantial proportion of the site to the Council as part of the tender. An area to the south west of the site is being retained for the developer to construct a potential hotel (retained land). The net internal area of the accommodation is approximately 500sq.m more than that identified within the development brief. This, along with the configuration of the accommodation, should allow for future flexibility with a particular regard to sharing the space with partner organisations who have already expressed an interest and other third parties. In both cases this would attract additional income for the Council.
 18. The site provides vehicular and pedestrian access to Hudson House, George Stephenson House and NERC Offices (5* hotel). These access roads must be maintained to the reasonable satisfaction of adjacent owners. Hudson House retains the right to park no more than nine vehicles on the site to be sold and Acropolis Properties retain the right to park on Station Rise. The number of parking bays is not specified in the Title documents but Acropolis will be liable to pay a fair proportion of the cost of maintenance of this road. The Council will not be entitled to park its own vehicles or those of its visitors on Station Rise.
 19. The proposed Conditional Sale and Development Agreement will be subject to Tarras obtaining satisfactory planning permission with no onerous planning conditions. Tarras have fully accepted the risks of managing the development costs and achieving practical completion before 30th September 2012 within their tender.

20. Tarras have worked hard to address the principle planning concerns expressed by planning officers, English Heritage and other interested parties in the early stages of the scheme. The removal of later additions and alterations has strong support from conservation officers and English Heritage. As the building is a Grade 2* listed building Tarras will need to continue developing the proposal during design and construction in conjunction with English Heritage. However, foreseen planning conditions have principally been identified and included for within the scheme, minimising the risk.
21. English Heritage and the city's Planners support the overall scheme and it is likely the current scheme would receive support for planning consent. The scheme has the potential to be an exemplar for integrated historic buildings and contemporary design. However, alongside the benefits of working within a historic setting it should be recognised that working within the constraints of a Grade 2* listed building may compromise operational efficiencies and future adaptability. In particular, the refurbishment approach welcomed by English Heritage and the Council's Conservation Team within the existing buildings, results in a certain amount of the existing cellular space having to be retained.
22. The design offers a good ratio of net to gross areas. However, the operational efficiency of the building is impacted on by an over provision of vertical circulation (all existing staircases are being retained for heritage and fire purposes). This results in a large number of staircases being required to overcome the changes in existing floor levels and a degree of complexity in the internal circulation.
23. A significant proportion of the development is a new build insertion into the U shaped building. The quality of the new build in conjunction with the existing will be a critical factor in determining the success of the scheme, especially given that English Heritage, the Conservation Team and CYC customers will expect a high standard. Tarras have recognised that further clarification of the design and specification detailing will be required to ensure these expectations are achieved.
24. A consequence of the design means the building will have a very deep plan, limiting external views and reducing the level of natural daylight reaching the lower floors. The design to this area will need careful consideration by Tarras to ensure that not only is the space suitably lit but also the design creates an ambient working environment to the satisfaction of Council employees.
25. The Arrivals Courtyard is an attractive and welcoming space and the creation of an external breakout space for staff beneath the relocated glass canopy is a positive additional benefit. The main Customer Centre area offers a large open flexible space to meet the Council's core requirements. Tarras have proposed a clear security barrier between the Customer Centre and staff areas. However the security strategy requires further development as currently visitors to meeting rooms and ancillary accommodation may need to be escorted.
26. The Customer Centre still requires some further clarification of detailing to fully demonstrate how this space will deliver to meet the council's aspirations and development brief. This does however require careful management on the Council's part.

Sustainability

27. The proposal clearly demonstrates and meets the Council's sustainability aspirations in relation to low carbon design and operation. In particular:
- Carbon dioxide emissions are estimated at 476 tonnes/annum compared to the Council's existing portfolio of 1,620 tonnes/annum, a reduction of 70%. This saving will make a significant contribution to the Council's aim to reduce carbon dioxide emissions on all our non-housing activities by 25% by 2013.
 - Predicted Energy Performance Assessment (EPC) rating of 15 that equates to Band A (1-25). The proposal is performing well beyond similar existing buildings and due to the highly efficient building services out performing typical newly built buildings.
 - The building energy efficiency (159kWh/m²/annum) is 41% better than the existing accommodation portfolio (271kWh/m²/annum) and 26% better than CIBSE benchmarks (215kWh/m²/annum).[†]
 - 100% of the building's heating and hot water will be generated from a combination of bio diesel Combined Heat and Power (CHP) and bio diesel boilers. The ventilation and cooling strategy uses an absorption chiller in the summer months to temper the peaks. Tarras have identified five potential suppliers for bio diesel three of which meet the Council's ethical supply policy.[‡]
 - Water consumption would be better than the existing portfolio (10,648m³ compared to 13,563m³ for the existing portfolio). However Tarras are currently indicating only 9% can be obtained from recycled water (grey/rainwater harvesting).
28. Following clarification of the tender, Tarras have confirmed the thermal performance of the building will meet CIBSE design criteria[§] and is in line with the Council's design brief and sustainability policy. Under the proposed ventilation strategy the building utilises natural ventilation (in line with the sustainability brief) and will make use of its thermal mass and night time purging during warmer periods of weather to lower the temperature of the building. Although predicted temperatures are within design parameters, the impact of purging and cooling will be limited subject to seasonal variations in temperature and therefore it should be noted that on occasions the building could be warm during summer months. The Council will therefore need to familiarise staff with the Council's sustainability policy as part of the overall staff induction of the building, so they appreciate why the facility is not fully air-conditioned.

Summary

29. In summary, the West Offices scheme provides CYC with a building that not only meets their requirements but offers CYC future flexibility within an attractive city centre setting. It provides the opportunity to deliver a scheme that demonstrates an excellent example of sustainable

* Carbon Management Program Plan, 2008

† CIBSE TM46: 2008 - Offices

‡ National or locally produced rape seed oil or recycled cooking oil from UK food processors. Not palm oil or oils from deforested rainforest land.

§ CIBSE TM46: 2008 - Offices

regeneration of a historic building within the city centre and could become a fine example of the Council's sustainable planning policies in action.

30. Tarras are the freeholder of the site they are proposing to transfer to the Council and undertake development works that will provide the office accommodation identified in the Development Brief. Tarras have fully committed to deliver the project within both the specified budget and timescales at their risk. They have also looked to substantially mitigate planning and construction risk associated with the scheme.
31. The scheme is positively supported by English Heritage and the city's Planners and it is likely the scheme would receive support for planning consent with foreseeable planning conditions having principally been identified and included for within the scheme minimising risk of unforeseen conditions.
32. Alongside the benefits of working within a historic setting, CYC will need to make a long term commitment to maintain the building to a modern office standard, given its 2* listed status. It should also be recognised that working within the constraints of a Grade 2* listed building may compromise future adaptability. The quality of detail elements of the design and the specification along with aspects of design excellence will be addressed by clarification before contract award.

Clarification

33. As part of the procurement process, subject to Members' approval of the preferred bidder and prior to the Council entering into a formal contract, the Council will require further clarification of the successful bid.
34. Key areas include:
 - Tarras team – Further detailing roles, responsibilities and process for engagement with CYC in developing and implementing the scheme.
 - The arrangements in terms of design development and the engagement of CYC to jointly resolve the development of :
 - the detailing of design and quality specification to meet the high standards expected, as detailed in para 23
 - the ambient working environment set out in para 24
 - the security strategy set out in para 25
 - the detailing of the customer centre within the Council's brief and developer's cost constraints as set out in para 26 above
 - Clarification of whole life costings.

Consultation

35. As part of the procurement process each developer was required to take part in a process of public and staff consultation to gather information/views/ comments to inform their proposals.
36. In May, a twelve page publication was sent to every household in the city, the business community and Council staff. The document provided information about each scheme and a questionnaire inviting feedback on a

number of aspects of the new HQ project. This included location, ease of access, customer services, design and sustainability, cost effectiveness, value for money and being kept informed. The public were not asked to choose between the two options due to the nature of the evaluation process being used following EU procurement rules.

37. The consultation was also supported through the Council's website and a three day exhibition held in the Mansion House, where staff and public were able to talk to each developer about their scheme.

Feedback

38. Tarras have used the feedback from public and staff consultation events to inform their proposals. The feedback from the 'open comments' received in the returned questionnaires was very positive and supportive of the scheme.

39. Of the 362 'open comments' specifically about West Offices, the three main areas of interest related to:

Heritage - the historical significance of the building - 188 (52%)

Location - particularly green and quiet places - 65 (18%)

Appearance - general attractiveness of buildings - 51 (14%)

40. General feedback from the public rated the most important sustainable features in a new headquarters to be:

- re-use of existing building structures and fabric
- sustainable public transport to the new HQ
- a building and systems that are highly energy efficient (e.g. in its use of lighting and heating, etc).

Response

41. Where concerns were expressed, these related to either cost control or design of the new elements of the scheme.

42. Responding to cost concerns, Tarras are confident that they have firmly addressed these issues in their proposals with the early involvement of a building contractor who has worked on key elements of the design. Where design was of concern Tarras have adopted a collaborative approach to working with Planning, English Heritage and have employed a consultant team experienced in working with listed buildings in York.

43. Dialogue with staff user groups helped to inform the internal layout requirements submitted as part of the West Offices Proposal, however it is acknowledged that this is an on-going process which will continue throughout the further development of the design following contract award.

44. There will be a further round of public consultation following the award of contract during and prior to the submission of a planning application.

Further Consultation

45. In December, a small leader article will appear in Your City directing residents to the council's website for further information about the results of the evaluation of the two preferred schemes. This will be followed up with a more detailed feature article in the February edition of Your City which will provide further detailed information regarding the proposed scheme and informing residents about the forthcoming opportunities to be involved in further consultation on the council's new headquarters.
46. A second set of public consultation will be held in February /March prior to the submission of a formal planning application in May. Residents and staff will be able to have their say and influence the final design on the chosen scheme through the council's website, in writing to the project office or at a public consultation event to be held in the city centre. There will be a further opportunity for the public to have their say on the proposal during the formal planning process once the submission has been made. The council website will contain further detail about these events nearer the time.

Next Steps

47. Subject to Member approval of the preferred developer as Tarras, each bidder will be formally notified as to the outcome of procurement process on 16th December 2009.
48. This will be followed by a period of clarification with the preferred bidder in December/early January 2010, prior to formally entering into a contract in late January 2010 (subject to a satisfactory process of clarification).

Timescales

49. The indicative timetable for the overall completion of the new headquarters is as follows:

Contract Award	January 2010
Design Development	January to August 2010
Pre-planning Consultation	March 2010
Planning Application	April / May 2010
Planning Approval	July / August 2010
Contractor Appointment	September 2010
Start on site	December 2010
Practical Completion	September 2012

Corporate Priorities

50. The provision of new accommodation and the consequential improvement in services to our customers will contribute to all of the Council's corporate priorities. The project will feed into and be a key component of the Council's 'More for York' programme.

Implications

Financial

51. The budget for the accommodation project is £43.804 million as reported to Executive in June 2008; this includes the construction budget of £32 million. The final tender from Tarras for the delivery of the Council's new headquarters is maintained within this £32m construction budget and any additional costs incurred are the responsibility of the developer as long as the Council does not change any of the parameters relating to the design brief specification.
52. If the scheme proceeds with the prospective bidder Tarras, the costs will be closely monitored throughout the building construction process. Whole life costs are being clarified by Tarras, to ensure that the future whole life costs of running the new headquarters have been adequately accounted for. Whole life costs are the costs involved in owning, maintaining, running an asset over its life.
53. The whole life cost information supplied by Tarras has an impact on the overall net present value (NPV) saving of the project, as does the timing of the construction works. (The NPV saving is the future savings that will be made from moving into the new headquarters over a 30 year period discounted to current day prices).
54. The report to Executive on 21 September 2009, estimated that the NPV would be £5.0m and that there would be an "early years deficit" figure to be funded from the venture fund reserve of £1.69m. It should be noted that a review of the capital receipts shows that due to the timing differences of capital receipts being received later than previously reported, the position of the "early years deficit" has changed to £1.89m. (an increased cost to the venture fund reserve of £0.2m). The timing of capital receipts are reviewed in conjunction with property services on a regular basis and change depending on current market conditions.
55. Information supplied by Tarras during the final stage of the tender process has been used to update the finance model, which can be used to monitor the project savings against in future. The NPV saving is forecast to be £4.70m, £0.3m lower than previously estimated and the "early years deficit" figure £1.93m, £0.04m higher. (This will be an increased cost to the venture fund reserve). Two factors contribute to the change in the NPV saving and the "early years deficit" figure. An increase in whole life costs has an unfavourable affect, whilst the reduction in finance costs has a positive affect and goes towards partially netting off the increase in the whole life costs.
56. The whole life costs estimated by Tarras are higher than those forecast in the original model. This is substantially due, as described in paragraph 17 above, to the increase in the net internal area of the accommodation being approximately 500sq.m more than that identified within the development brief. However, this external accommodation should provide the opportunity to generate additional income, which could be offset against the higher whole life costs incurred.
57. The finance costs have reduced using the construction budget profile provided by Tarras as there is a change in timing of the borrowing required in the earlier years of construction / refurbishment. This is because the construction budget profile is slightly weighted to build completion of the

project life in 2012/13, and therefore has a positive affect on the NPV saving and “early years deficit” figure.

58. The construction budget estimated in the original model was £0.24m greater than that presented in the Tarras however this does not make any difference to the NPV saving or the “early years deficit” figure as the difference is incorporated elsewhere in the remainder of the £43.804m Administrative Accommodation budget.
59. It should be noted that the payment profile of the construction budget, the profile of the remaining Administrative Accommodation budget and the timing and value of the capital receipts will be subject to slight fluctuations over the next 3 years, leading to minor variations in the funding profile of the project, in the NPV saving and the “early years deficit” figure. The change in the NPV saving to £4.7m and the increase of £0.24m in the “early years deficit” figure to £1.93m, which are to be funded from the venture fund reserve, will be included for executive approval in the Capital Monitor 3 report.
60. Financial Viability – As part of the procurement process in order to ensure that the bidder is financially viable a review was carried out taking into account the organisations financial standing and other relevant financial information. The review of Tarras shows that the company has a high financial strength in its industry and also a very good credit rating.

Legal

61. See exempt Annexe 2.

Equalities

62. Work is currently underway to complete a full set of Equality Impact Assessments (EIA's) as an integral part of the Accommodation Project.
63. Liaison with the Corporate Equality and Inclusion Team has been undertaken to ensure a corporate approach and effective communication is in place at all times to benefit the process. Initial work involved the Council's Staff Equalities Reference Group examining key issues for consideration at its meeting of the 27 April 2009 which proved beneficial and raised some key points for examination.
64. These work outputs were then used as part of an Equality Impact Assessment (EIA) Workshop involving the Accommodation Project Team, the Directorate Equality Leads network and Corporate Equality and Inclusion Team members to shape the ‘groupings’ of EIA's into three areas. These areas (Design and Construction, Facilities Management and Communications) have a broad representation of officers working on them on an ongoing basis to deliver and identify the EIA's required, their known outcomes to be addressed and key timescales to take them through to the commissioning and beyond of the chosen headquarters scheme in 2012. The Equalities Staff Reference Group and the Social Inclusion Working Group will also be involved throughout this process.

Risk Management

65. The accommodation project is managed within a project management framework adopting the principles of the well-established PRINCE 2

project management methodology. This was a key component of the accommodation project Business Case approved by Members in November 2005.

66. The major controls for the project include the approved business case, project plan, risk register, issues log, exception reports and end of stage assessments. The project risk register is maintained on Magique, the Council's corporate risk reporting system and this provides full reporting and traceability of the project's risks.
67. The project risks were reviewed at the Audit and Governance committee on 21st September 2009.
68. The proposed agreement with Tarras will be subject to Tarras obtaining satisfactory planning permission. It is understood the current scheme is likely to receive positive support for planning consent with foreseeable planning conditions having principally been identified and included for within the scheme, minimising risk of unforeseen conditions.
69. Under the terms of the CSDA Tarras would not have grounds to determine the agreement if delays are experienced or additional costs incurred as a result of adverse ground conditions or archaeological issues, or indeed if the building contract price comes in at more than they had expected. All of these risks will be transferred to Tarras.
70. The key risks identified at this stage to the project are addressed in exempt Annexe 2.

Recommendations

71. Executive are asked to:
 - Note the content of the report and in particular the outcome scores of the evaluation of the tenders for the delivery of a new Council headquarters building.
 - Approve – West Offices, Station Rise – Tarras as the Preferred Bidder.
 - Grant delegated authority to the Project Champion (Director of City Strategy) in consultation with the Director of Resources to enter into a contract with Tarras following agreement of the final terms of the Conditional Sale and Development Agreement and satisfactory resolution to any outstanding items of clarification.

Reason: To enter into a Conditional Sale and Development Agreement to provide a new Council headquarters

Contact Details

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Bill Woolley
Director of City Strategy

Report		Date
Approved	✓	

Specialist Implications Officer(s)

Financial

Name: Louise Branford-White
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Wards Affected: Acomb, Clifton, Fishergate, Guildhall, Heworth, Heworth Without, Micklegate **All**

For further information please contact the author of the report

Background Papers:

22nd November 2005 Executive - Accommodation Project – Business Case
3rd February 2009 Executive - Accommodation Project – Update Report
14th April 2009 Executive - Accommodation – Update Report
21st July 2009 Executive -Accommodation – Update Report

Annexes

Annexe 1 – Evaluation Criteria

Exempt Annexe 2 – Evaluation Scores/Legal information: Conditional Sale and Development Agreement and Top Ten Project Risks