
Meeting of the Executive

24th July 2007

Report of the Director of Resources

Accommodation Project - Update

Summary

1. This report provides a progress update of the council's corporate accommodation project, which includes the targets and achievements for the period October 2006 to June 2007.
2. The main focus of the report is the outcomes from the Hungate feasibility study, a key area of activity during this reporting period. The study demonstrates how a level of further investment will improve the overall business case for the project and provide further benefits particularly in relation to sustainability and the future use of the building. It sets out the top ten project risks and how these continue to be managed and seeks Member approval to a revised business case for the project.

Background

3. 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.
4. The key components of the project are:
 - The land assembly at the Hungate site, including the relocation of the Peasholme Centre 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,
- 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

5. The project has been divided into stages with progress being reported at key stages/milestones. The following covers the period since the last Executive report in October 2006 to June 2007.

6. The targets and achievements for this period were as follows.

Relocation Of The Ambulance Station

7. The Ambulance Service has indicated that a contingency plan has been formulated enabling them to commit to vacate Hungate in time to meet the councils overall project timetable. Their preferred relocation site is at Clifton with Yearsley Bridge as a fall back option. Following unfavourable feedback from Planning to their Clifton proposal, a further meeting has been arranged in July to clarify their current position.

New Hostel – Planning Consent

8. Planning consent has been granted for the new hostel at Fishergate and Allerton Construction Ltd, the lowest tender has been appointed as the constructor. The construction phase will start in July 2007 for a period of 40 weeks.

9. The Fishergate business unit has been successfully relocated to a temporary home at Hospital Fields Road, prior to its permanent relocation to Amy Johnson Way.

Archaeological Investigations

10. Archaeological investigations have now commenced on the council's Hungate site and the outcomes to inform the strategy for the construction of the new building are due to be reported in July. Early indications suggest that there is nothing of significance on the site that will warrant anything other than a watching brief during the construction phase of the project.

Extension Of Existing Leases

11. All leases, with the exception of Mill House, have now been extended following negotiations with the landlords. Leases have been granted which meet both the timescales and cost profiles in the project plan. Legal Services are currently working to secure an extended lease for Mill House.

Early Sale Of Blake Street

12. The sale of Blake Street was scheduled to take place towards the end of the accommodation project in 2010. An opportunity to relocate the

occupants of Blake Street to Kings Court and De Grey House and accommodate the Safer York Partnership in one location has been implemented making an early sale and subsequent capital receipt for Blake Street possible. Work is now underway to sell the premises.

Review Of Facilities Management Services (FM)

13. Following a tender evaluation process, Larch Consulting has been commissioned to undertake a review of the council's current FM arrangements. The review outcomes will present options and recommendations, for the future delivery of the FM services, in July 2007. A presentation of a full business case for both the preferred and reserve options will be completed by the end of August.

User Development

14. The architects and space planners attended the user development group meeting on 20th March 2007 to explain the design process and outline the involvement of stakeholders and establish links to each directorate and other key stakeholders (ICT HR, Public Services). Detailed meetings to validate the needs based study information with each directorate took place in April 2007.
15. Work is currently underway to gather detailed information to inform the facilities management review, including data relating to photocopying, stationery purchases, filing, printing and postal services.
16. A workshop is being arranged to formulate the future work plan for the user development group which will include development of the needs based study work, future occupancy agreements, the implications of the facilities management review for services, and the logistics of moving to Hungate.
17. An early pilot study is currently being undertaken within Property Services to establish a toolkit to assist service areas to identify future business trends, supporting work styles and space planning options for the new accommodation.

Hungate Feasibility Study

18. The appointment of the design and construction partnership team for the new Hungate building was completed in February this year following a rigorous tender evaluation process.
19. The partners are: -
 - Shepherds Construction - Constructors,
 - Turner and Townsend - Project Managers,
 - RMJM - Architects,
 - WT Partnership - Quantity Surveyors,
 - Gifford - Mechanical and Electrical.

20. The work of the team will follow the Royal Institute of British Architects Plan Of Work protocol, which describes the design and construction team activities in the form of stages from stage A – Feasibility Scheme Appraisal through to stage L - Completion. A brief definition of each stage is attached at annexe 1.
21. The team have now completed the feasibility study (Stage A and B), which includes the identification and analysis of the client's requirements, the possible physical and planning constraints of the site, the development and establishment of the project brief, the output specification, confirmation of the construction budget and the programme of work. It also includes advice on any physical site restrictions that may effect the construction/engineering options for the project, preparation of the building brief in liaison with the client and the confirmation of key requirements. The end of the feasibility study (stage B) is a key project milestone. The commencement of stage C (sketch proposals) is dependant upon the agreement and confirmation on the overall size and massing of the new building and the target construction cost per square meter. The following is a summary of the feasibility work that has been undertaken.

The Design Brief

22. The accommodation business case approved by the Executive in November 2005 incorporates the Guildhall, St Antony's House at Clarence Street and 50 York Road, Acomb into the new accommodation portfolio.
23. A detailed needs assessment study across all service areas has identified that we will need to accommodate 1,496 staff in the new portfolio. The number of staff to be accommodated at St Antony's House and 50 York Road is 92. The Guildhall space has been identified for full council meetings (council chamber), ancillary meeting/conference room space and medium to long-term storage. The design brief for Hungate has therefore identified the need to accommodate 1,404 staff.
24. The key areas of the design brief for Hungate can be summarised as follows:
 - the building must be modern and sustainable in its design, construction and subsequent operation,
 - the design must be customer focussed and include a face to face customer centre (York Customer Centre),
 - the building must be effective and efficient to enable the delivery of excellent customer services and unlock efficiency gains identified as part of the Gershon agenda,
 - it should be expressive to reflect the image and values of the council,

- it must provide a modern office environment, which supports an open interactive culture and facilitates flexible working styles.
25. In addition to this the council has set a number of principles to ensure an effective design and future use of the building. These are as follows:
- a fully integrated York Customer Centre,
 - an open working environment with no individual offices but with a variety of spaces that reflect the needs of each service area, supports new working styles and ensures the effective and efficient use of space,
 - a minimum staff to desk ratio of 5:4,
 - a minimum business storage allowance of 2-3 liner metres per workspace.
26. A central facilities management service that incorporates corporate functions such as; postal services, printing, photocopying, stationery, refreshment facilities, room bookings and corporate hospitality.

The Brief Analysis

27. The designers have examined the detailed information from the needs based study and categorised the space needs as follows.
- The general office area to include a variety of spaces such as general desk space, formal and informal meeting space, quiet space, breakout space incorporating a refreshment area, project space and storage space for both personal and business storage. Also included within this space will be central hub space sometimes referred to as core space for printing photocopying, stationery storage and the distribution of post.
 - Ancillary space linked to individual service needs that fall outside the normal office provision and includes areas such as training facilities, ICT server room, equipment and secure storage.
 - General corporate space to include the York Customer Centre, cyclist changing/shower facilities, conference suite, a corporate café style area (likely to be let on a franchised basis) and medical and faith rooms.
28. The design team have highlighted the ancillary space and general corporate space and allocated what is considered to be an appropriate amount of space for the functions identified. In terms of the general office space, which is the largest area of the building, a number of space planning examples have been tested out in diagrammatic form based upon traditional and new ways of working. The analysis and

review of these examples has resulted in a total gross area requirement of 13,122m² for the new building at Hungate.

Sustainability

29. The delivery of a sustainable development is identified as a key requirement for the council and the aim is to achieve three main targets as follows:
 - a British Research Establishment Environmental Assessment Model (BREEAM) score of 'Excellent',
 - to better the Building Regulations CO² requirement by 30%,
 - to include 20% on site renewable energy generation.
30. The building will incorporate various low or zero carbon technologies.
31. A sustainability group has been set up to include Members, the councils sustainability officer, the councils lead design engineer and the design team to identify and develop the sustainability opportunities.
32. Between now and October (when the planning application will be submitted) the design team will research and evaluate the implications of the various technologies within the site, the building characteristics, various constraints and, with the support of City Strategy, the opportunities to obtain external grant funding. The purpose of which is to develop a very sustainable building, a building that the council can be proud off. A document will be prepared by the mechanical and electrical designers on the technologies that will be considered through stage C and those which will not be considered further.
33. To date, the design team has identified the need to consider energy demands and building efficiency systems as a priority, before looking at renewable energy production. With good integrated design our energy consumption and subsequent fuel cost will be reduced. In terms of energy production, early analysis shows that there are two high impact solutions that will reduce our carbon emissions. They are biomass heating and biomass combined heat and power (CHP). Other stand-alone possibilities include ground source heat pumps, wind and photovoltaics, which provide energy and CO² savings of various levels. Consideration is currently being given to a sustainability bio tower, which concentrates the major servicing elements into a single tower form to allow the sustainable features to become part of the architecture of the site and a visible and transparent expression of the council's sustainability aspirations.

Site Analysis

34. The analysis of the Hungate site has included;
 - archaeology on the site,

- flooding datum and associated risks,
- the consideration of listed buildings within the vicinity including the adjacent Black Swan pub,
- planning and conservation issues relevant to the setting of this development
- the overall master plan for the Hungate area and the massing of the adjacent mixed use blocks,
- access to the site and the recognition that York is one of the county's premier cycling cities,
- the orientation of the building and the sun's path,
- site constraints such as noise and traffic,
- boundary restrictions,
- site opportunities such as the high level views of the Minister.

Options Analysis And Appraisal

35. Throughout the options analysis, various massing options for the accommodation have been explored which test generic office massing forms, together with forms which respond to specific site conditions.
36. Four options have been evaluated against the following criteria (see annex 2):
 - urban considerations (context, massing, planning etc),
 - operational considerations (plan form construction strategy service strategy etc) and
 - aspirational considerations (creation of a civic building for the City of York).
37. As a result of the options appraisal, the strongest option is option B which groups the office accommodation together on 5 floors in a regular form, driven by a grid and efficient office planning. The York Customer Centre and the conference suite are more public and therefore driven by function rather than grid on the ground floor and the front elevation on the first floor.
38. The strongest option has been reviewed to assess its implications on the council's brief and the outcomes confirm that the proposed massing of the strongest option would in the main accommodate the earlier estimate of approximately 13,122 gross m².

Benchmarking

39. There are currently a number of inflationary pressures relating to construction due to a booming industry, both nationally and regionally, and a record level of material price inflation. Particularly, mechanical electrical engineering, steel, copper and glass. The rapid evolution of the sustainability agenda is being driven by a number of factors that have gained greater prominence and relevance in recent years including the 2005 Part L Building Regulations. These regulations and the setting of an excellent BEEAM rating can add between 5% and 15% to the capital cost of an office building.
40. Taking this into account, a benchmarking study has been undertaken on a range of office accommodation projects of varying types and quality. This information has been developed by the cost consultant to ascertain a benchmarked cost per square meter for construction updated to 2009 quarter 2. The costs identified range from £2,629 per m² for a prestigious City of London office block to £1,352 per m² for an out of town general office which only achieved a good BREEAM rating. The accommodation project team has visited Edinburgh City Council's recently built offices as it incorporates similar features to the aspirations of the CYC brief. The cost of Edinburgh building was £2,103 per m². The study targets £2,000 per m² as an average cost for an office building.
41. Taking account of the inflationary pressures on the construction industry, the overall needs of the council, particularly in relation to its sustainability aspirations, and the location of the building and planning requirements on a new development site in the city centre, the council is advised to make a provision of around £2,000 per m² for its new accommodation at Hungate. In order to set a challenge for the design and construction partnership team a target of £1,880 per m² is proposed.

Feasibility Summary

42. The feasibility study confirms that the Hungate site can provide a building of adequate size (**13,122 m²** gross) that will meet the overall needs of the council and include the York Customer Centre, other civic space such as a corporate conference suite and general office accommodation to support **1,404** staff. The study recommends the massing **option B** as the preferred solution. In line with other national benchmark schemes a target of **£1,880** per m² for construction is proposed which equates to the need for a construction budget of **£24.67m**.

Benefits

43. The recommended solution 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.

44. 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 (OEP).
45. The recommended solution will also incorporate current inflation pressures and reference to benchmark schemes, recent changes to the Part L of the building regulations, revised planning and sustainability requirements and a BREEAM rating of very good/excellent.

Financial Update and Implications

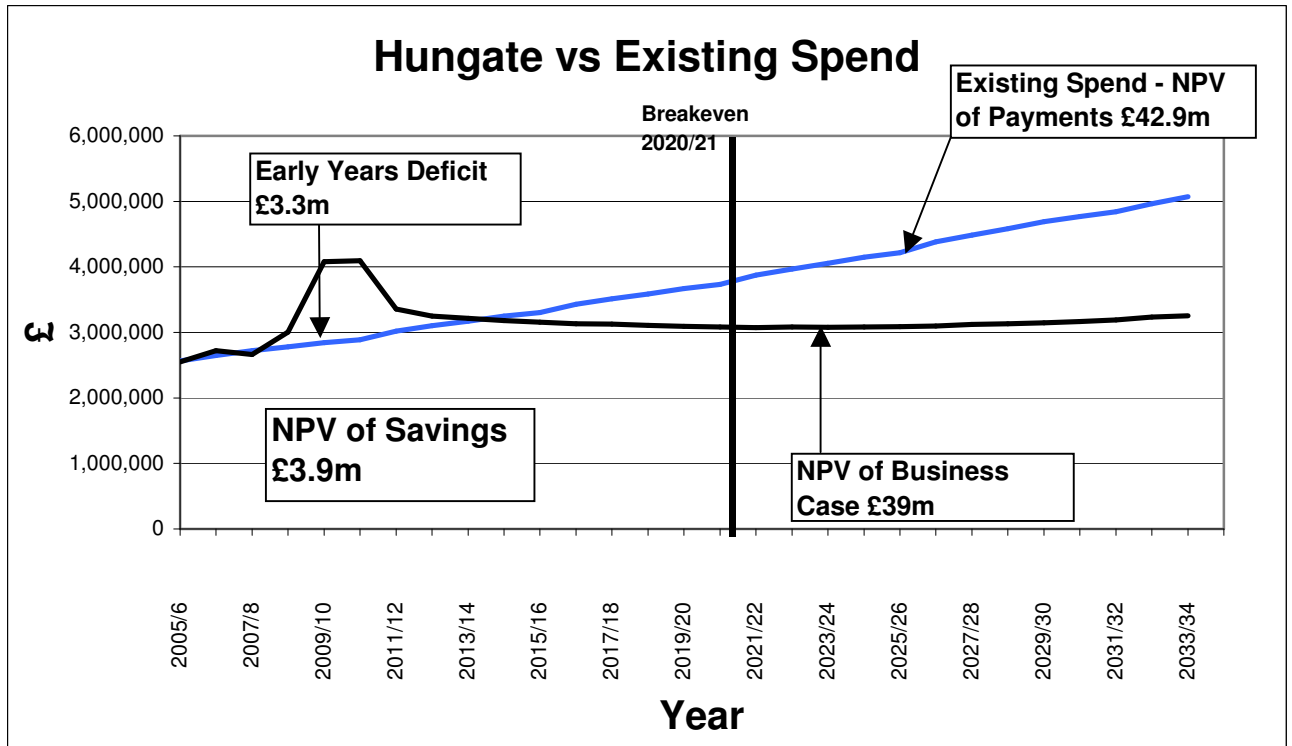
Background

46. The Executive approved the initial outline business case (OBC) for the administrative accommodation project in November 2005. At that time it was recognised that the rationalisation and integration of the Council's administrative accommodation from 17 buildings to 4 was vital for the continued efficient operation of the Council. The OBC highlighted that the existing accommodation was costing £2.6m per annum, but would require significant capital investment to eliminate the repairs backlog on these buildings, bring them up to modern standards and meet legislative requirements.
47. The OBC compared the existing accommodation costs with the projected costs of a new building over a 30-year period. It was based on the best available information at the time and was predicated on the following interlinking factors:
 - Capital cost of the new build;
 - Capital receipts from the disposal of existing freeholds;
 - Borrowing to make up the difference;
 - Cost of Borrowing;
 - Existing running costs;
 - New Build running costs;
 - Efficiency savings from consolidation of sites.
48. The business case highlights the interrelationships between capital spend and the revenue budget. For example, the higher the capital spend, the higher the level of borrowing would be, resulting in higher debt repayment costs which impacts on the overall affordability of the business case.
49. The OBC was based on whole life costing and represents a move away from the traditional fixed capital budget approach. As part of the business case a financial model was developed, which highlighted that, the Council would generate long term savings by moving to purpose

built offices. It was also realised that there would be some short term costs (such as interest payments on the borrowing) that would have to be incurred before the full savings could be realised. To address the short-term impact the Executive agreed that the venture fund would be used to smooth the impact on the revenue budget.

50. The OBC therefore introduced two indicators of affordability:
 - Net Present Value (NPV) of Savings¹ over 30 years;
 - Early Years Revenue Shortfall.
51. The existing administrative accommodation revenue budget is £2.6m per annum, which equates to a NPV of £42.9m. The NPV of the OBC was £40.2m, resulting in a saving in today's prices of £2.7m. The early years deficit amounted to £3.1m.
52. Since November 2005 the business case has been further developed as costs have become clearer and refinements have been made. A revised affordability position was reported to the Executive in October 2006 when the NPV of savings was £3.7m and the early years deficit was £3.1m.
53. The affordability position as at June 2007 stands at £3.9m NPV of savings with a £3.3m Early Years Deficit. The graph below illustrates the cash flows associated with the existing accommodation compared to the June 2007 business case.

¹ The Net Present Value (NPV) is the cost of a future payments expressed in today's prices. A simple example of this is that £1m received today is worth more than £1m received in 10 years time, due to the fact that the £1m can be invested today at a rate of interest and will inevitably be more than £1m after 10 years. The NPV calculation discounts future payments down to a single price base.



Feasibility July 2007

54. The original business case allowed for the largest building possible on the Hungate site, this was for 15,300 m². The preferred option from the feasibility study is for a more efficient, 13,122 m² building. Although the benchmarking exercise has highlighted the construction cost pressures, the reduced space requirement results in running cost savings from operating in a smaller building. These running costs have also been benchmarked and are considered to be realistic.
55. The gross capital budget for the business case is currently approved at £37.2m. The increase in the costs of construction are illustrated in table 1 and represents the additional budget required to bring it in line with the revised business case highlighted in this report. The increase in the cost of construction is £3.117m and it is envisaged that this will all be incurred during 2009/10. Confidential Annex 3 provides a detailed breakdown of all the capital and revenue budgets.

	Spend to date	2007/8	2008/9	2009/10	2010/11	Total
	£000	£000	£000	£000	£000	£000
Current Budget	2,070	5,010	12,895	14,199	3,013	37,187
Revised Budget	2,070	5,010	12,895	17,316	3,013	40,304
Change to programme	0	0	0	+3,117	0	+3,117

Table 1 – Revised Capital Programme Budget

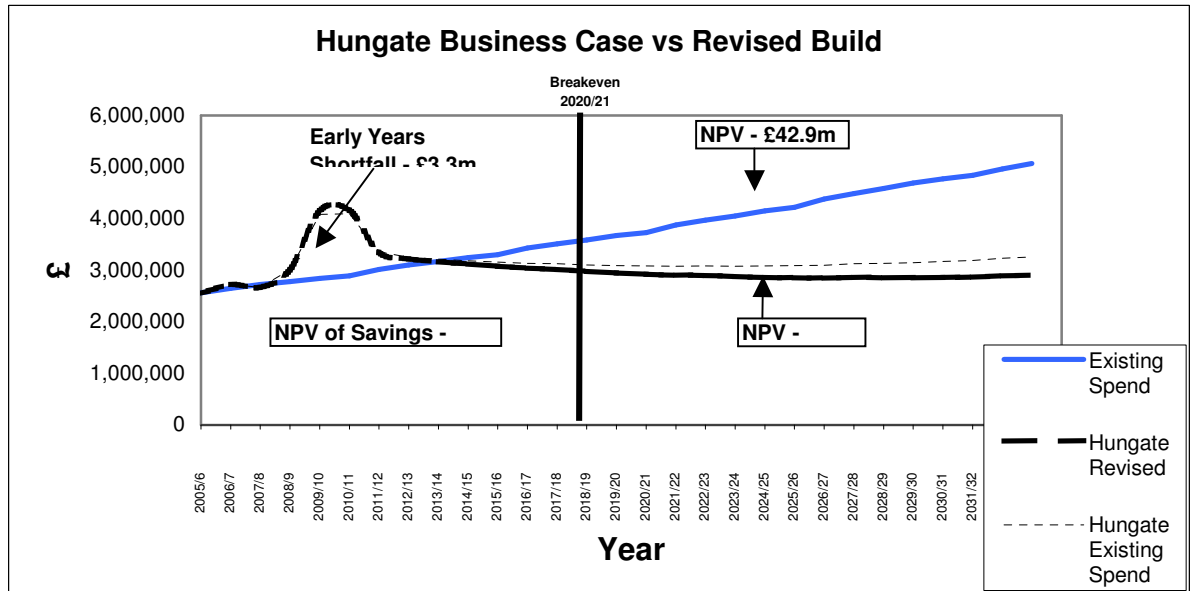
56. The running costs of moving from a 15,300m² building to a 13,122m² building are summarised in table 2. The difference between the

existing running costs and those of the new building are initially used to finance the borrowing.

	Change*				
	Existing	Hungate OBC 15,300m ²	Hungate Revised 13,122m ²	From Existing	From OBC
	£000	£000	£000	£000	£000
Rental Costs	873	56	56	-817	0
Business Rates	509	650	523	14	-127
Running Costs	1183	1167	773	-410	-394
Total	2565	1873	1352	-1213	-521

Table 2 – Running cost comparison

57. The revised affordability parameters of the project at this stage now show a NPV of savings of £5.15m and an early years deficit of £3.3m. The chart below illustrates the revised cash flows when compared to the existing accommodation and the OBC.



58. It is important to note that as the project develops any changes to the inputs will have an impact on the affordability of the project; for example, the affordability could improve if capital receipts are greater than budgeted for, or decrease if there is project slippage. The exact capital budget will not be finalised until the building design is complete, and is expected to move within the overall NPV and early years affordability parameters. The project affordability is constantly being reviewed and updated for changes, which are reported to the officer working groups, the project board, Member Steering Group and to the Executive through the capital monitoring process.

Project Plan

59. The stage 3 plan to the end of October 2007 is predominantly made up of the design process for Hungate in terms of the sketch design followed by the detailed design and a planning application, together with the outcomes of the facilities management review. The overall timetable for occupation of the new building at Hungate remains on target for June 2010 with key dates as follows:

• Agreed user brief - Hungate	Jan 2007	✓
• Appointment of the design and construction partners	Mar 2007	✓
• Feasibility study -Hungate	June 2007	✓
• Sketch design - Hungate	Aug 2007	
• Detailed design - Hungate	Oct 2007	
• Planning approval - Hungate	Jan 2008	
• Agreement of final design and price - Hungate	Feb 2008	
• Vacant possession of the Hungate site	Feb 2008	
• Commencement of construction at Hungate	April 2008	
• Hungate building completion	April 2010	
• Phased occupation	June 2010	

Risk Management

60. 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. A copy of the top ten current risks is attached at annexe 4.
61. The commitment of the Ambulance Service to vacate the Hungate site to meet the council's timetable and the relocation of the Peasholme Centre has significantly reduced the project's overall risk position.
62. Whilst the land assembly at Hungate remains on the critical path for the delivery of the project by 2010, the risk has been reduced further following planning consent for the new Peasholme Centre and the award of the construction contract scheduled start on site in early July. Early indications from the archaeological investigations suggest that there is nothing of any significance on the site that will require any more than a watching brief during the construction period.
63. The outcomes from the feasibility study work for Hungate has reduced the risk of achieving a building of adequate size to meet the overall needs of the council

64. The revised financial model reflects current trends and inflationary pressures for construction although higher inflation costs over and above this level will still remain a risk.

Communications

65. 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 in October/November.
66. Project space has been identified on the ground floor of George Hudson Street where exhibitions, presentations, corporate workshops, and open days will be held throughout the life of the project. The space includes a shop front, which faces onto George Hudson Street, which will be used to raise the profile and interest in the project.
67. Following the July Executive report a series of presentations will be held across the council to include the corporate leadership group, service managers, staff and Members to promote the project and present the opportunities for a significant cultural change in support of the council's Organisational Effectiveness Programme (OEP). Subsequently there will be a full range of workshops with the design team and service areas across all directorates to develop the space planning options for the new building based upon the outcomes of the Property Service pilot study.
68. 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; 1 Lab; 1 Con) specific to the project, which meets on a regular basis.
69. Customers of the council will be engaged through the easy@york project, the normal planning consultation process, and publications such as 'Yourcity' and 'Streets Ahead'.
70. The Design Team have worked closely with the Planners, Conservation Team and the Community Planning Group members to ensure that the building reflects both professional and wider community views.
71. 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.

Corporate Priorities

72. The accommodation project is seen as one of the council's imperatives and will support all of the council's aims and objectives and assist in the transformation to a customer focussed 'can do' authority.
73. The project will also contribute to the improvement of City of York Council's organisational effectiveness, particularly:
- IS.10 Improve our focus on the needs of customers and residents in designing and providing services,
 - IS. 11 Improve leadership at all levels to provide clear, consistent direction to the organisation,
 - IS.12 Improve the way the council and its partners work together to deliver better services for the people who live in York, and
 - IS.13 Improve efficiency and reduce waste to free up more resources.

Implications

74. **Financial** – the financial implications of this report are discussed in the financial section above.
75. **Human Resources** – there are no implications from this report.
76. **Equalities** – there are no implications from this report.
77. **Crime and Disorder** – there are no implications from this report.
78. **Information Technology** – there are no implications from this report.
79. **Property** – the property implications are contained within the body of this report.

Options

80. This is an update report and therefore contains no options for consideration.

Recommendations

81. Members are asked to:
- Note the contents of this report and the progress of the accommodation project to date.

- Give approval to the revised business case for the project that supports the outcomes of the feasibility study detailed in paragraph 42.

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

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Report Approved Date 04/07/2007

Simon Wiles
Director of Resources

Report Approved Date 11/07/2007

Specialist Implications Officer(s)

Financial
 Name Tom Wilkinson
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 Tel No. 1187

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

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

Annexes

Annexe 1 – The RIBA plan of work stages

Annexe 2 – Massing options

Confidential Annexe 3 – Summary of Changes – May 2007.

Annexe 4 – Top ten risks