

Report of the Director of City Strategy

## **Council Headquarters – Site Option Appraisal**

### **Summary**

1. The purpose of this report is to:
  - a) Present the findings of an independent review to assess the validity of the earlier decision to locate the council headquarters within the city centre as apposed to an out of town location.
  - b) Present the outcomes of an initial independent high level report into whether there are sites (including Hungate) available which could potentially meet CYC's needs.
  - c) To update Members on the impact of recent case law which will affect this project and seek their approval to commence an EU procurement exercise to formally engage with possible developers of potential sites on which they will deliver a 'turnkey' solution.
  - d) To ask Members to endorse a set of high level procurement criteria, set out in paragraph 31 of the report.
  - e) Give delegated authority to the Project Champion (Director of City Strategy) to approve a detailed set of procurement criteria.
  - f) Identify the level of additional work required to inform a detailed option appraisal to enable the council to examine all relevant factors before making a critical investment decision.

### **Background**

2. The case for a new council headquarters remains as compelling as ever to achieve the wide range of benefits to customers in relation to the services the council provides, staff in providing efficient and effective services, the wider community through substantial inward investment into the city.

3. The current accommodation project seeks to provide accommodation for approximately 1540 staff in a portfolio that consists of 11,890m<sup>2</sup> of net internal area (NIA)\* made up as follows:

<b>Building</b>	<b>NIA m<sup>2</sup></b>	<b>Staff</b>
New Headquarters	10,590	1400
Guildhall	600	140
50 York Road	370	
St Antonys House	330	
<b>Total</b>	<b>11,890</b>	<b>1540</b>

These figures are based upon an ongoing detailed needs based study and on a set of agreed principles, which include:

- a fully integrated customer centre with good public visibility and accessibility
  - an open plan environment with no individual offices and a wide variety of spaces
  - a minimum staff to desk ratio of 5:4
  - a minimum business storage requirement of 2/3 linear metres per workspace.
4. Since the withdrawal of the planning application for Hungate a high level report has been prepared to establish whether there are likely to be possible appropriate sites if CYC proceeds. This looked at 28 potential sites in and around the City, using a set of criteria based on availability, deliverability, accessibility, suitability and affordability. The outcome of this initial exercise identified that there appears to be at least five sites likely to have the potential to meet the majority of the council's needs. These included Hungate, West Offices on Station Rise, Layerthorpe (former Frog Hall Pub), the Barbican and the Royal Mail site on Leeman Road. Of course, other sites may be viable.
5. To progress the outcomes of this earlier work external consultants EC Harris have been commissioned to:
- assess the validity of the earlier decision to locate the council's main offices on a single site in the city centre as apposed to an out of town solution

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\* Net Internal Area (NIA) is 'useable area within a building measured to the internal face of the perimeter walls at each floor level, excludes circulation areas, toilets and lifts etc.'

- identify the extent of likely possible sites that may have the potential to meet or contribute towards an overall solution for the council.

## **City Centre versus Out of Town Location**

6. In terms of the council's earlier decision to locate its headquarters on a single site within the city centre, as opposed to an out of town location, the consultants report reaches the following conclusions:

Whilst they found clear benefits and costs associated with both out of town and city centre sites, when assessed against the agreed evaluation criteria and CYC's accommodation requirements, they concluded that a city centre location is highly likely to be the only appropriate solution for the council's needs and outperforms an out of town location when key criteria are considered.

They identified two key criteria of accessibility for customers and best practice. In terms of their importance to the operational effectiveness and reputation of CYC, combining each promotes a city centre location above an out of town location.

### **Accessibility for Customers**

7. The council requires customer facing and back office administrative functions to be located at a single site. Given this, it is essential that a readily accessible location is provided with easy access to customers, in particular those without private transport.
8. The city centre is a public transport hub featuring train, bus and coach stations, accommodating multiple bus routes. Therefore it is well connected by public transport to all parts of York and surrounding areas. There are also cycle and pedestrian routes around the city.
9. York is a busy and vibrant location throughout the day creating a form of casual surveillance and there is also full street lighting and CCTV. As a result feelings of security and safety amongst customers (and staff) could be enhanced.
10. Out of town locations usually offer poorer accessibility for those without private transport and also potentially more complicated access by foot and cycle. Based on these factors they concluded that the city centre appears a preferential location to out of town sites.

### **Best Practice**

11. CYC works to develop, interpret, manage and enforce policies governing behaviours and practices within the administrative boundaries of York. These include such policies as planning, sustainable development and transport. We also create and promote local objectives and targets in a variety of areas.

12. There can be a need for the council to demonstrate 'Best Practice' and 'lead by example' in incorporating and abiding by the policies it enforces and by promoting the objectives and targets it sets. Through the option of a city centre location, the council is able to demonstrate 'Best Practice' by:
- adhering to PPS6 on Town Centre uses
  - supporting the achievement of local economic objectives around maintaining and enhancing a vibrant city centre, promoting economic vitality (as noted in the emerging Area Action Plan for the City Centre)
  - supporting national objectives around sustainable development which include making strives towards considering green transport arrangements in new development.
13. The report concludes that there is the potential for a city centre or city centre border solution which is accessible, deliverable and affordable. This potential outcome supports the original intention to relocate in the city centre. The main advantages of this outcome being;
- a) Excellent accessibility for customers
  - b) Generation of the local economy
  - c) Opportunities for shared working with other agencies and,
  - d) Support for sustainable development.

*A full analysis of the costs and benefits is available within the consultants report.*

## **Potential Sites**

14. The main purpose of the consultants report was to gauge the extent to which there might be viable interest in providing a solution and to help inform any essential criteria for procurement. If the Council wishes to procure office facilities of this size on land it does not own generally speaking it is obliged by EU Procurement Law to hold a competition to select a site/developer. Any developer may request the opportunity to tender, and each proposal will be considered on its merits against clear, fair and objective criteria. Some market related information has emerged as to the level/likely number of developers bringing forward a tender, for example, a potential site at the Barbican may no longer be available. If CYC conclude that a single site solution within the city centre/edge of centre is required, then it is proposed a process will commence to establish fair and objective criteria for assessing any expressions of interest and tenders. A competition to select the winning site will then need to be organised based on those criteria.
15. This approach to procurement will provide a 'turnkey' or complete solution from a potential developer who will build the council's new

office to an agreed specification. This compares to the previous Hungate solution where effectively the council was acting as a developer.

16. CYC have undertaken some initial work assessing the possibility of whether there would be interest in a competition to provide a solution to CYC and a brief summary of information available relating to example alternatives is included in the report. All possibilities tendered would need to be considered via the correct competitive process and each possibility assessed against defined criteria. It is envisaged that, because of the varied nature of the likely possibilities, the exact proposed delivered solutions by developers will be a product of the competitive procurement process. It is anticipated that developers will respond to the proposed competition by providing and developing innovative solutions. Due to the nature of the City of York, and the disparate types of sites which might be available, there appears to be scope for a variety of proposals. Some factual background to illustrate this relating to examples may be of general interest at this stage. The present situation has come about due to the position at Hungate (the site which had been anticipated to provide a solution). Set out below (paragraphs 16-18) is a brief summary of the position regarding Hungate.

#### **Update Regarding Hungate**

17. Since the withdrawal of the planning application for Hungate the designers RMJM have met with the council's planning department to discuss the concerns of English Heritage, in relation to the height and massing of any new development, and what could be achieved on the Hungate site. Following on from this initial meeting RMJM have produced a number of design concepts which move away from the original design, of a five storey building with a large atrium in the centre, to a collection of buildings with heights stepping up in scale from three to five storeys. These early concepts have been submitted for further comment from both the council's planners and English Heritage.
18. It is unlikely that any new design on the current Hungate site will meet the council's overall space needs or support a one site city centre/edge of centre solution. Early estimates suggest a shortfall of accommodation in the region of approximately 2,350sq metres of net internal area which equates to approximately 360 workspaces, accommodating 450 staff. This shortfall would need to be supplemented with additional accommodation either from the council's existing portfolio or by acquiring additional space to complete the full requirement. This may be leased commercially from the adjoining development at Hungate where there are two buildings available, both with planning permission for new build office content within them.
19. The consultants consider the initial concepts and the level of net internal area to be un-ambitious and suggest that further development could reduce this shortfall of space. Early estimates indicate that a

reduced Hungate scheme on the council's site could be achieved within the existing budget provisions, however this would still leave a shortfall and an additional requirement to meet the overall needs of the council would result in further costs which are currently estimated to be the equivalent of between £3-5m.

### **West Offices**

20. The opportunity known as West Offices is owned freehold by The Buccleuch Property Group, an established and respected owner of both investment and development property. Buccleuch Group has indicated that they are willing to develop the property on a turn-key basis on behalf of CYC.
21. This opportunity consists of the refurbishment of a grade II listed building, which is of historical importance to the City of York, alongside the development of new buildings integrated into the old. The total built area would be sufficient to supply the whole requirement of CYC. The property is located within the City Walls.

### **Layerthorpe**

22. The opportunity known as Layerthorpe is approximately two miles north east of York railway station. There are public transport links from the centre. The site is in the freehold ownership of Tiger Developments, a subsidiary of O'Flynn Group, a substantial Irish based Contractor/Developer.
23. The site is bounded by the River Foss and Layerthorpe Road. Sainsbury's supermarket lies across the river, with Foss Bank crossing to the west. Development of the site will require the developer to complete a link road from Heworth Green to Layerthorpe Road.
24. A feasibility study has been conducted on the site. A new build structure of 14,678m<sup>2</sup> gross internal area (GIA)\* over a total of four storeys could be provided in a similar shape to that designed by RMJM for the original Hungate project.
25. There are some contamination problems on the site although the developer has provided some assurance that there is a mitigation process being carried out and that there would be no affect to the delivery of the property.

### **General comments on sites**

26. All sites will have potential issues to consider and different benefits to be assessed against common criteria. For example, criteria may consider configuration of buildings to meet accommodation requirements and additional amenity.

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\* Gross internal area (GIA) is defined as 'area of a building measured to the internal face of the perimeter wall at each floor level'.

27. These further investigations confirm that in relation to West Offices and Layerthorpe these sites are available and likely to be deliverable and it is believed that they have the potential to meet the overall needs of the council within the affordability parameters of the current approved budget. The Hungate scheme, although only conceptual at the moment, has the benefit of information and knowledge built up over a significant amount of time in relation to the council's needs, the constraints of the site and planning requirements.
28. To be able to provide a level of confidence in relation to what can be achieved and make true comparisons through a detailed options appraisal, the detail for any sites which are proposed as a result of competition will need to be developed to the level of that available for Hungate.

### **Competition**

29. The understanding of European Directive requirements for public sector procurement have been the subject of much discussion throughout Europe following a number of high profile cases which have established through case law some important principles. Great care has therefore been taken in recent weeks to assess the correct procurement process to follow. Changes in understanding of the law applicable to public development projects of this nature, make a route of direct negotiation with a sole provider inappropriate.
30. Legal advice from the council's framework solicitors, Shulmans, confirm that the proposed Development of new offices for the council will be classed as qualifying "Work" under procurement law. The Council needs to hold a procurement competition in order to progress and meet CYC's aims to achieve not simply the lowest price but the most economically advantageous tender. CYC will comply with its and the EU's common guiding principles:-
  - a) Equal treatment of tenderers (wherever they are from in the EU)
  - b) Transparency in respect of the process, criteria and reasons for decision for tenderers.
  - c) Proportionality to ensure that CYC's requirements are relevant and necessary to what is to be procured.
31. Complying with Commercial Confidentiality is also a key principle to be observed as appropriate. EU procurement legislation requires the council to enter into a procurement notice process to invite any other interested parties to the table and to assess, and, if appropriate, develop solutions. The process will take into account the complexity of the likely proposals. Initial notice of potential works and criteria will be developed swiftly to commence the process of publication in the OJEU and wider relevant publicity.

32. It is recommended that throughout the procurement process the Hungate scheme should remain firmly on the table as an option for future consideration but that any further development of the scheme should be kept to a minimum.
33. The outcomes from the procurement will be evaluated using a robust set of criteria based on the accommodation brief and a set of weighted criteria put together and agreed by key stakeholders. A set of detailed criteria is currently being developed based on the following:
- A single site city centre /edge of centre location.
  - A fully integrated customer centre with good public visibility and accessibility.
  - Suitable and sufficient accommodation of a consistent quality and modern standard which will meet the overall future business needs of the council and accommodate in the region of 1400 staff.
  - Is fully compliant with the latest health and safety requirements and conforms to the Disability Discrimination Act.
  - Is sustainable in terms of its overall economic, social and environmental impact.
  - Complies with the council's travel to work policies in that the building must be accessible for both staff and customers, via public transport.
  - Is affordable and can be delivered within the current approved capital budget and financial model for the project.

The results of this exercise will inform a revised business case for the accommodation project which will be presented to members in April 2009.

### **Timescales**

34. It is estimated that the procurement can be streamlined so that it will only take approximately six months. This is an incredibly tight timescale but current advice is that this is achievable. It should be noted however that a substantial part of this process will include detailed dialogue and negotiations which would be a necessary part of developing any potential solution for the council.
35. If a scheme is approved a period of detailed design and subsequent planning approval would support an estimated construction start date of mid to late 2010 which would lead to revised completion date estimate of mid to late 2012. Therefore, the likely timeframe for the anticipated process will be as follows:



STEP	TIME
Members to approve process	21 <sup>st</sup> October 2008
OJEU Notice	End October 2008
Submission of initial tender information	End December 2008
Evaluation process	Up to end March 2009
Award	End March 2009
Construction commencement	Mid to late 2010
Completion	Mid to late 2012

## Communications

36. Project communications have been maintained to keep staff, the public and interested parties informed following the withdrawal of the planning application and to provide updates on what actions are being taken to move the project forward.
37. A variety of internal communication channels are being used to communicate to staff including; the use of global emails sent from Bill McCarthy, articles featuring in news and jobs, and regular updates on the council's intranet system which contains additional background information and links to key reports. The project also produces a quarterly newsletter 'On the Move' and staff are actively encouraged to send their questions or queries to the project's 'moving forward' mailbox.
38. Strong communication channels also exist using the project's established organisational structure, which follows Prince 2 principles. Updates are provided through a variety of reports including checkpoint reports, reports to the project board, summary highlights and reports to the Executive.
39. Verbal updates are also given to the established project groups, such as; the User Development Group, which comprises of staff representatives from each Directorate, the Project Board which has senior officer representation from each directorate at Director/AD level and the Member Steering Group with representatives from each of the party leaders. The Corporate Management Team and senior managers also receive regular updates.
40. Press releases have been sent to local media and more recently a press briefing has been held to inform the public of the latest position on the project. The council's website is regularly updated and letters have been sent to key consultees such as English Heritage, CABI, York Civic Trust, York Conservation Trust and the Hungate Community Trust to update them on the current position.
41. At a meeting of the Executive on the 9th September, it was agreed to engage a panel of consultees from the wider community. This 'Reference Panel' will include representation from a wide spectrum of interests that can focus on and provide support and engagement for issues, including and beyond the built form. It will of course offer the

opportunity for English Heritage and CABE to participate whilst accepting their role as statutory consultees.

42. A new communications strategy is currently being developed to support communications throughout the period of work that is being undertaken to develop a solution.

## **Implications**

### **Financial**

43. It is intended to deliver any new accommodation solution within the parameters of the currently approved budget of £43.8m. The Hungate plus option at paragraph 17 of the report highlights that any new Hungate scheme could cost an additional £3-£5 million. In terms of any other option when the competitive procurement exercise is complete, comparative figures will be available to assess which scheme is financially viable for the council. Any additional costs relating to the procurement exercise set out in paragraphs 28-33 will be incorporated into this overall assessment process.

### **Legal**

44. Vital to follow good procurement practice and legal requirements which underlie that practice and to make decisions in a way which reflects key EU principles (Equal treatment, transparency, proportionality) to avoid risks of challenge and to achieve best outcome.

Commercial confidentiality to be observed.

## **Corporate Priorities**

45. The provision of new accommodation and the consequential improvement in services to our customers will contribute to all of the council's priorities.

## **Risks**

46. Failure to respond to the council's corporate imperative of providing an accommodation solution that realises the key project benefits of;
  - a) Rationalisation of the council's current administration accommodation portfolio which is anticipated to cost over £140m over the next 30 years.
  - b) 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.
  - c) A city centre location that is accessible to all customers and citizens of York. Located in an area of regeneration with existing infrastructure and transport links providing access for staff. Maintaining the council's contribution to the economic well-being

of the city through its employment of c.1400 employees in a central location.

- d) 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.
- e) Compliance with current legislation in terms of Disability Discrimination Act in providing buildings and services that are accessible to everyone.
- f) 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.
- g) 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.
- h) Inward investment to the city to a value approximately £50m.
- i) The opportunity to release a number of important historic buildings, for example, St Leonard’s for restoration and more appropriate use.
- j) Provide a significant lever towards improving the Council’s CPA rating through new corporate working arrangements.
- k) Contribute towards the Council’s overall value for money assessment.
- l) Supports the reorganisation of the York Ambulance Service through the provision of land at the Yearsley Bridge site.

## **Recommendations**

47. Members are asked:

- To note the content of this report particularly in relation to the conclusions of consultants EC Harris in their assessment of the validity of an earlier decision to locate the council’s new headquarters within the city centre as opposed to an out of town location.
- To approve the commencement of a procurement process to support the development of potential solutions that may come forward for consideration.

- To approve the set of high level procurement criteria listed in paragraph 32.
- To support the need for expedience give delegated authority to the Project Champion – Director of City Strategy, to approve a set of detailed criteria within the high level criteria listed in paragraph 32, on which the procurement process will be based.
- To acknowledge the need for more detailed work to be undertaken to inform the preparation of a more detailed accommodation strategy to enable the council to examine all relevant factors before making a critical investment decision.

### Contact Details

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**Chief Officer Responsible for the report:**  
**Bill Woolley**  
**Director of City Strategy**

**Report  
 Approved**

**Date** 08/10/08

### Specialist Implications Officer(s)

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

**For further information please contact the author of the report**

### Background Papers:

Executive Report - 9<sup>th</sup> September 2008

EC Harris – Option Appraisal Report October 2008