

**Executive**

**9<sup>th</sup> September 2008**

Report of the Assistant Director: Property Services

## **Hungate Council Headquarters - Update**

### **Summary**

1. The purpose of this report is to
  - a. update the Executive on the progress made since the withdrawal of the planning application
  - b. to confirm the current budget and business case position
  - c. to outline the process to be adopted to review the Council's options and to select an appropriate way forward.
  - d. To present high level options
  - e. To review appraisal criteria, and
  - f. For members to give officers a steer as to which options should form the basis of a more detailed appraisal.

### **Background**

2. The case for the Council HQ remains as compelling as before. The key project benefits are:
  - 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
3. The planning application for the new Council HQ in the Hungate Redevelopment Area was withdrawn in a letter from RMJM to the City of York Council on the 11<sup>th</sup> July 2008. This followed a period of consultation and receipt of a formal response from English Heritage.
  4. The letter from English Heritage summarised their response as follows: "Despite several meetings to discuss the emerging proposals English Heritage remains concerned that the building, by reason of its height and massing cannot be developed without harming the setting of the cluster of historic buildings and spaces around it. In summary, we object to the present proposal."

5. The letter also included: “We consider that the building proposed could be a very impressive, sustainable, fit-for-purpose, civic building but that in the location and site area proposed it will cause harm to the established historic environment.”
6. Given the formal response from English Heritage and the decision to withdraw the planning application there needs to be a review of 2 key issues:
  - a. The sites in the City that could accommodate the HQ building appraised against the criteria for the project. Hungate would be one of those sites
  - b. The feasibility of schemes (sites or combinations of sites) that could achieve the council’s aims taking into account the lessons learnt from the project so far and a set of reviewed and revised criteria.

Refer to diagram at Annex A

7. There is a need to move as quickly as possible on this work but this has to be balanced by the need to ensure that risks are minimised and a workable and deliverable solution is found. Site and scheme appraisals will involve detailed work which will inevitably take some time.

### **Action to date**

8. A meeting was held by the Chief Executive and the Director of City Strategy with the Regional Director of English Heritage on Friday 10<sup>th</sup> July 2008.
9. The Project team briefed the Chief Executive, CMT members and the planning team on Monday 13<sup>th</sup> July 2008 with regard to possible sites that may be considered as part of a review of council options. This included the Hungate site, a number of sites previously considered and still available (both in the council’s ownership and private ownership) and following informal discussions with landowners and developers, some new possibilities.
10. A private briefing was given to the Executive on Tuesday 14<sup>th</sup> July 2008.
11. Further discussions were had at the Corporate Monitor with Executive on 21<sup>st</sup> July 2008.
12. A briefing report was given to the Group Leaders on 15<sup>th</sup> August 2008 outlining progress made and a programme of work to follow.
13. A briefing report was presented to the Shadow Executive on 20<sup>th</sup> August 2008 outlining progress and a programme of work to follow.

14. A financial analysis was prepared by the property team to show expenditure and commitment to date and this is at Annex B to this report. It is not possible at this stage to identify how much of these costs are abortive. This can only be determined once a new solution has been chosen, it will however be incorporated into any new option analysis.
15. Expenditure to date at 9 July 2008 has been reported as £4.827m. It is important to note that this overall project is not just about the new building. The costs to date incorporate elements that will be required irrespective of the building solution. These include:
  - a. The relocation of the Peasholme Centre at £730k, including all design and statutory fees. (Commitment to a total project cost of £1.955m). This investment provides the council with a state of the art facility that meets all registration standards and provides a valuable asset and service to customers.
  - b. Land assembly, including the acquisition of the Ambulance Station and initial archaeological investigations at £1.3m. The site will have added value as a cleared site that is recoverable if sold at the right time on the open market.
  - c. Property Exit Strategy, including renegotiated leases, disposals, professional and legal fees to date at £430k. Most of this work needed to be done irrespective of the solution.
  - d. Internal project team costs, facilities management review, organisational change and consultant support at £745k. most of this work is still valid and will contribute to any future solution.
16. This leaves costs to date for the Hungate project of £1.625m. This expenditure includes both in-house and appointed consultant fees, procurement costs and planning fees. The work that has gone into the project to date will only be partially lost if the council chooses to change sites or delivery mechanism. If the solution is to stay at Hungate but with a different design only part of those costs will be abortive.
17. It should also be noted that the council has already brought £7.2m into its coffers through the sale of St. Leonard's.
18. A review has been undertaken of the leadership, project management process and the roles within the council and of partners to date, including an understanding of the council's legal and contractual position with regard to all of its' partners in the event of terminating the project or changing the delivery mechanism.
  - a. The Chief Executive and CMT have reviewed the structure and governance of the management of this project. The Chief Executive has decided to nominate the Director of City Strategy as the Project Sponsor (replacing the previous Director of

Resources). The Director of City Strategy will chair the Project Board and lead on that aspect of the project required to reach a successful planning approved design. CMT will play a greater role in the governance and decision making within the project.

- b. Consideration of options for this project will include a review of delivery mechanisms available to the council. If the solution selected requires the council to design and build, and the scope of required services does not significantly change, the team employed to date will, subject to approval by the Project Board, remain as:
    - i. Shepherds Construction
    - ii. RMJM Architects
    - iii. Giffords Engineering Consultants
    - iv. WT Partnership
    - v. Turner and Townsend
  - c. The documentation presented to the Project Board is attached at exempt Annex H and I
  - d. An analysis of the impact of delay upon other projects within the council, particularly those linked or dependant upon the Council HQ outcomes and timescale, is ongoing. The Chief Executive and CMT will consider the actions and resources necessary to maintain effective business processes within the organisation.
19. The Chief Executive, Leader of the Executive and Project Champion met with RMJM Architects on 19<sup>th</sup> August 2008 to receive their assurance and commitment to the project, consider appropriate actions necessary to move the project forward. RMJM Architects have taken the opportunity to refresh their team and a Board Director is now taking a lead on the project. RMJM restated their commitment to supporting the council and delivering a new council HQ. It was also agreed that RMJM would formally contact and establish support and advice from those architects who have successfully developed schemes within the City of York.
20. The Chief Executive and Leader of the Executive, met the Regional Director of English Heritage on 19<sup>th</sup> August 2008, to discuss working relationships and principles to be adopted to enable an appropriate way forward for the project and avoid a repeat of their belated objection. English Heritage confirmed that the process of consultation, with them, adopted by the council for the withdrawn scheme had been appropriate.
21. The review has enabled the council to consider 'lessons learnt' particularly those relevant to 'consultation' and to prepare future

strategies. The Consultation process to date was fully compliant with guidance, but we now recommend going over and above that guidance in the next stage.

22. It is therefore proposed to consider the setting up a 'design consultation forum', experts and facilitators, and improved working relationships with English Heritage. Further work is to be undertaken on a communications and engagement strategy for the 'external audience'. The strategy should include a process for informing consultees of our reasons for making decisions, particularly when the council chooses not to accept advise, suggestions or comments.
23. The Project Team has undertaken a high level analysis of the long list of potential sites available to the council. This exercise has highlighted the small number of site options likely to be available for a more detailed analysis in the coming weeks. The criteria used to undertake this piece of work included availability, deliverability, accessibility and suitability, comparative financial consequences and risk.
24. The Project Team has returned to the original 'site option review' undertaken in November 2004. A copy of this document will be made available to members as:
  - a. a reminder of the robust process that was gone through to identify a shortlist of sites
  - b. a reminder of the council's needs in terms of accommodation including front and back of office
  - c. a reference to existing expenditure, affordability parameters and the base case
  - d. a list of considered scheme options (i.e. Combinations of property to satisfy needs)
  - e. to enable a further review of those sites and options to see if the assumptions made are still relevant and current
  - f. to enable a review of the criteria used and perhaps amend in the light of the council's current position
25. The Project Team has, in consultation with planning and development colleagues, identified other more current site opportunities for consideration.

## **The way forward**

26. The criteria for selection of a preferred building solution: the criteria used for a high-level review of options included:
  - a. Availability

- b. Deliverability
  - c. Accessibility and suitability
  - d. Financial consequences
  - e. Risk
27. The project team initially looked at 28 sites in and around the city of York. That list was quickly reduced to 14 on the basis that some were inappropriate, no longer available, the subject of planning applications or on the verge of development for other purposes. (Those in the council's ownership are listed in Annex D and those not in the council's ownership are listed in EXEMPT Annex E)
28. The 14 have been evaluated against the 5 criteria above to give an initial ranking. In evaluating the sites the council was focussed on two aspects:
- a. Would the site provide a single site solution to its needs, and
  - b. Would the site contribute to a multi-site solution
29. It should be noted at this point that should a multi-site solution be considered further, a lot more sites and buildings will be brought to the table for consideration.
30. This initial evaluation scheduled in Annex F has clearly steered us towards 4 sites with the potential to meet the majority of our needs, though several of the others may contribute to a more radical split site solution. In order to confirm this initial evaluation and develop some scheme solutions members views are required.
31. It is now necessary to move to the small number of scheme solutions for further detailed analysis. Officers will progress this work based upon the following high level approaches to a building solution:
- a. Single site in the city centre (within the inner ring road)
  - b. Single site on the edge of city centre
  - c. Split site in the city centre
  - d. Split site combination of city centre and edge of city centre
  - e. Split site combination of city centre and out of city location (e.g. Monk's Cross)
32. A further steer is needed in terms of prioritising and weighting the detailed appraisal criteria to relate to the circumstances the council now finds itself in.

- a. Availability: Current use and ownership; acquisition, the window of opportunity for the council.
  - b. Deliverability: Physically achievable in terms of location, land assembly, capacity, planning and conservation, archaeology, contamination, flooding, buildability, responds to brief , budget and timescale.
  - c. Accessibility and Suitability: Location and image, customers, staff, deliveries and services, DDA, adjacencies and transport links.
  - d. Finance: the balance of borrowing and capital, interest rates and inflation, annual sinking fund, rental, affordability, service and running costs over whole life, efficiency and other savings.
  - e. Risk; project risks, disposal proceeds, performance improvement and efficiency, organisational transformation, land assembly, deliverability and financial risks.
33. A further qualitative assessment of the options would consider:
- a. Operational effectiveness
  - b. Customer Services – Location and access
  - c. Customer Services – Amenity
  - d. Green Issues, carbon footprint and sustainability
  - e. Staff Amenity
  - f. Regeneration deliverables
  - g. Car parking
  - h. DDA compliance

### **Financial status and business case**

34. The business case approved at Executive meeting 17 June 2008 is appended to this report at Annex G. Further work is being conducted to understand the current financial position following the delays caused by this review of the project.
35. Selecting figures from that report as a reminder of the current approved business case.
- a. A potential net present value saving of £4.768m
  - b. This compares with the net present value saving of the outline business case in November 05 of £2.7m



36. Members will need to consider whether this improved position and the financial benefits to be accrued from it are to remain as their target for any revised scheme, or whether they are prepared to see a reduction of that saving back towards the original business case in order that the benefits outlined at the beginning of this report can be achieved.
37. It is also important to keep the early years deficit below the £4m threshold set as one of the guiding parameters. It was reported in the last approved business case as £2.094m.
38. The impact of the prospective changes to this project in terms of financial affordability are complex. There are many elements to balance when appraising the options:
  - a. A single site solution allows the council to vacate its current accommodation, thereby releasing capital receipts through disposal of surplus assets and releasing rents through termination of leases. The proceeds of the latter being used to pay for prudential borrowing.
  - b. Any solution that retains an owned or leased building will reduce the capital, through receipts or borrowing, available to pay for any new building.
  - c. A single site solution at Hungate remains a possibility but needs further work on massing and scale and a review of how supporting accommodation at the Guildhall, St. Antony's House and 50 York Road, Acomb is used. This review and changes to the design will impact upon cost, but the degree depends upon the building solution.
  - d. A building that is 20% smaller will not cost 20% less, if the solution involves more than one site certain facilities will require a level of duplication and therefore a split site solution is potentially more expensive.
  - e. If a split site solution includes the leasing of a second building its location may be influenced by affordability and the further away from the city centre, the cheaper accommodation will be.
  - f. A solution that requires the council to occupy leased accommodation for longer than was planned will necessitate a re-negotiation of some of the leases and greater expenditure on rents
  - g. A prolonged delay in constructing a new building will expose costs to construction inflation which, despite the current economic climate, are still ahead of the retail price index.

- h. A solution that requires the council to purchase property may require prolonged negotiation to achieve a value for money acquisition
  - i. A solution that allows another party to develop and build, would give the council the option to buy or lease. Both would have to be appraised in terms of affordability over the life of the building.
  - j. Location will impact upon cost of build or lease. Edge of city centre or out of city centre is less likely to be influenced by consideration of the historic buildings present in the centre and therefore less constrained in terms of quality and materiality.
  - k. A less sustainable solution will impact upon the councils environmental credentials and potentially add to the whole life costs of the building.
  - l. The timing of site disposal, termination of leases, acquisition of property, borrowing and capital expenditure will all impact upon the cost model and business case
39. This list is in no way exhaustive but attempts to give members an understanding of the issues.

### **Further Works to progress**

40. It is important that in considering the future of the Hungate site and its ability to satisfy or contribute to any proposed scheme solution or to be developed for other employment purposes, a clear set of parameters need to be established. Meetings will be arranged with Architects, Planners and English Heritage to determine the level of acceptable development appropriate to Hungate and to support the initial option analysis work being undertaken by the project team.
41. Consideration is being given to how the council should engage the wider audience through an effective communication and consultation strategy. Options being considered include:
- a. The use of a 'design consultation forum', including an external facilitator
  - b. The use of 'Experts' or 'Critical Friends' drawn from the professional bodies representing architecture, planning and communication.
  - c. Further public exhibitions at appropriate times during the design phase.
42. The level and degree of detailed consultation will depend very much upon the scheme options being appraised and the preferred solution to be progressed. (e.g. An out of city solution will attract less scrutiny from

those more interested in the historic core and conservation than the continued development of a scheme at Hungate)

43. This report seeks approval from members, in principle, to the forming of a 'design consultation group', the use of experts and public exhibitions.
44. With members approval the Project Team, with support from Legal and Democratic Services, will prepare draft 'Terms of Reference' for a 'Design Consultation Forum'.
  - a. Further discussion to be had regarding the parties to be invited to this forum, including input from English Heritage.
  - b. To appoint an external 'Facilitator' to the forum.
  - c. To ensure that the forum is fully informed of the council's objectives, expectations and working parameters for the new HQ
  - d. Clarity of Role and an understanding that this is not a decision making group.
  - e. To establish at which points in the process of progressing this project the forum's views and comments will be sought.
  - f. To determine how the council will respond openly and explicitly to the views and issues raised by the forum

## **Timetable**

45. A detailed timetable will be very dependant upon the selected solution. But, the following can be used as a guide:
  - a. Shortlist of potential sites by end of August 2008
  - b. Appointment of consultant to undertake detailed appraisal as soon as is practicable
  - c. Approved approach to option appraisal at Executive on 9<sup>th</sup> September 2008
  - d. Detailed appraisal of scheme solutions (4 to 5 weeks)
  - e. Recommend preferred option(s) to Executive 7th October 2008.

## **Continuing work**

46. Land Assembly: Continue with the vacation and demolition of the Ambulance Station; Continue with archaeological investigations; Establish and agree transition timetable for the Peasholme Hostel; Plan for the demolition of the existing hostel and to undertake necessary

archaeological investigations; open discussions with local landowners and developers regarding available property to support scheme options.

47. Property Exit Strategy: Discussions with Rushbond regarding the possibility of extended use of St. Leonard's; Initial contact with other Landlords on leased buildings; Continuing with disposal strategy, particularly Yearsley Bridge and Blake Street.
48. Design and Construction: To maintain contact with Crosby Lendlease, DEFRA, Black Swan, NEDL regarding the current position, relationships and future progress.
49. ICT: Continue to liaise with Managed Service procurement exercise.
50. FM Strategy: Continue with recruitment of FM Workstream Manager and FM Advisor; Review of implementation plan pending selection of preferred solution.

## **Communications**

51. Review the current communications strategy and prepare appropriate releases for the benefit of Members, Staff and the public.

## **Corporate Priorities**

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

## **Implications**

53. Financial implications: are generally referred to in the report as part of the finance and business case.
54. It is acknowledged that additional project costs will need to be incurred to ensure future delivery of the project. This will include additional architectural design, project director costs and options appraisal. A detailed estimate of these costs is in the process of being built up, however at this point in time it is not anticipated that additional revenue budgets will be required to fund this expenditure.
55. Any abortive fees and costs relating to the project will need to be written off to revenue and be funded from reserves. Discussions are ongoing with the external auditor as to the accounting treatment and the value of these costs. However, at present it is expected that because the series of events causing this change has occurred in 08/09, a 'post balance sheet' note will be included in the 07/08 accounts, and the full financial impact of the changes will take place in 08/09.

56. There are no legal or other implications from this briefing report.

## **Recommendations**

57. Members are requested to:

- a. Note the contents of the report
- b. Note that the following high-level approaches are acceptable:
  - i. Single site in the city centre (within the inner ring road)
  - ii. Single site on the edge of city centre
  - iii. Split site in the city centre
  - iv. Split site combination of city centre and edge of city centre
  - v. Split site combination of city centre and out of city location (e.g. Monk's Cross)
- c. Note the content of the high level appraisal at Annex F
- d. Give a steer regarding the detailed appraisal criteria (outlined in paragraph 32 and 33), prioritising and/or weighting as appropriate, to be used to evaluate the short-listed sites identified in Annex F:
  - i. Availability
  - ii. Deliverability
  - iii. Accessibility and Suitability
  - iv. Finance
  - v. Risk
  - vi. Qualitative Assessment
- e. Approve in principle the proposal to set up a 'Design Consultation Group', and the use of experts and public exhibitions

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Specific Implications:

Legal: Quentin Baker  
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**Wards Affected: All**

**Report Approved**



**Date**

*26<sup>th</sup> August  
2008*

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

**Background Papers**