



Cabinet report  
13 December 2017

Item  
Public

## Shirehall redevelopment and refurbishment scheme

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### 1. Summary

- 1.1 The Shirehall has proved to be an excellent administrative base in terms of function and location for many years, however the building is now in urgent need of improvement if it is to continue to be Shropshire Council's administrative base for the long term.
- 1.2 The building in its current state presents an image to the public and partners which is far from ideal and is inefficient to heat and run. It is poorly configured internally and disorientating for staff and visitors alike.
- 1.3 In 2017, the Council appointed a specialist team to consider options to reconfigure and refurbish the Shirehall in order to meet the Council's priorities to make the Shirehall better suited to modern working and creating income generating opportunities.
- 1.4 This report describes the outcomes of this work and makes recommendations for significant investment. Improvements to the building will reduce future maintenance liabilities, improve running costs and increase working efficiencies, provide a much improved working environment, provide an opportunity to consolidate/rationalise the Council's administrative bases, generate income by attracting commercial lets and boost public perception and sense of civic pride.
- 1.5 Consideration has been given to vacating the site and relocating and rebuilding elsewhere. The costs associated with this, combined with the costs associated with demolishing the Shirehall, are deemed to be too high.
- 1.6 Subject to Cabinet approval, further work will be undertaken to develop the proposals further, prior to making a final recommendation to Cabinet and full Council in the first half of 2018.

### 2. Recommendations

- 2.1 Cabinet is asked to approve:
  - A. In principle agreement to move forward the option of refurbishing the entire building and progressing the necessary due diligence and feasibility work to inform the decision making as outlined in the report.

- B. That following the completion of further work and due diligence a report is brought back to Cabinet and then Council with final recommendations, including final detailed costings.
- C. A delegation to the Director of Place and Enterprise in consultation with the Portfolio Holder for Corporate Support to progress all works in accordance with recommendations A and B above.

## **REPORT**

### **3.0 Opportunities Appraisal and Risk Assessment**

- 3.1 Whilst it is not possible to determine exact future staff numbers, directly employed Council staff will continue to need a suitable office base. The Shirehall can continue to serve this purpose. It is owned by the Council, and therefore in the Council's control to adapt and reconfigure to meet its needs. It has good transport links to the rest of the county. It is a well known building, which, whilst of its time, has a provenance and striking aesthetic, which is befitting to a local authority.
- 3.2 However, Shirehall is resolutely exhibiting almost exactly the same plan as in its original drawings.
- 3.3 The building is structurally sound and its key mechanical and electrical systems remain viable, but a number of years with limited planned maintenance has had a negative impact on the quality and performance of the building, which now needs to be addressed urgently. A number of key items / elements have exceeded their expected lifespan, and significant investment is required to bring the building to modern standards.
- 3.4 The building floor plate offers the potential for high quality, open plan workspace which can house the current Council body as well as providing further office space and a business hub for external partners. Specifically, investment in improvements to the Shirehall will provide a number of significant benefits and opportunities including:
  - Improved public perception, customer experience and sense of civic pride.
  - Improved working environment for staff, leading to improved efficiencies through flexible and agile working and more integrated working between teams as well as reductions in staff absence rates.
  - Reduced running costs, through significant energy savings, increased efficiencies and reduction in empty desks/meeting room voids, along with reduced maintenance costs.
  - Rationalisation of public estate to generate further letting/disposal opportunities, reduce overall running costs and maintenance liabilities.
  - Rental income from third parties, along with opportunities for some shared facilities.

- Commercial rent, given the location of the Shirehall on a key town centre access route into and its proximity to residential areas.

3.5 Conversely, there is a potential impact in not progressing improvements in the near future.

- The building will become more expensive to run as building elements are retained beyond their life span (parts become more difficult to source, fixes are 'workarounds' rather than satisfactory solutions) and are inefficient.
- Increasing energy costs and pressure to reduce our carbon footprint will become unsustainable with the current building fabric.
- Staff morale may decline as the working environment falls behind modern standards and expectations resulting in increased sick levels and lower staff retention levels.
- Partners and external companies will not take up office space in the Shirehall as it is outdated and not fit for purpose resulting in missed opportunities for co-located partnership working and loss of potential revenue streams.
- The flexible and efficient use of working space will not be achieved, resulting in requirement for other Council office bases to be kept, with increased operational costs and inefficient working.

3.6 A number of risks associated with the successful delivery of this project have been identified and these are summarised below together with mitigating actions.

<b>Risk</b>	<b>Mitigation actions</b>
Project cost and time over runs compromising affordability and "payback"	Robust project management, using Prince 2 methods will be put in place, to keep the project on track in terms of cost and programme. The payback model will be continually reviewed during the development of the project.
Functionality of the building may be compromised during building works creating pressures on service delivery and potential additional costs.	Work will be sensibly planned to ensure business continuity. Communication will be key and a dedicated officer will ensure that moves are planned and communicated in a timely manner.
Public sector partners may choose not to relocate to the Shirehall	Letters of commitment have already been sought and received. Dialogue is continuing through the One Public Estate programme.
Commercial organisations may choose not to take business opportunities	Initial advice from specialist letting agents indicate that the location would be desirable. Further housing development is planned nearby. Work to enter into agreements will be

carried out early in the process.
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- 3.7 The Council has statutory duties under the Equality Act 2010 and section 149: Public Sector Equality Duty in shaping policy, in delivering services, and in relation to their own employees. Since the Council's intention is to "invest" in significant improvements to the Shirehall, this project will not have an adverse impact on any sectors of the community including groups with Protected Characteristics. A detailed Equality and Social Inclusion Impact Assessment will be developed as part of the next phase of work.

#### **4.0 Financial Considerations**

- 4.1 The redevelopment and refurbishment of the Shirehall will require capital investment by the Council. Funding the cost of the proposed full refurbishment will be considered as part of the ongoing due diligence work, with officers reviewing the funding requirement in line with the current Treasury Management Strategy. A full assessment of the review and recommended outcomes of a proposed funding option will form part of the final Council report.
- 4.2 A requirement of the next stage of the due diligence assessment is the necessity for the Council to invest the sum of up to £300,000 to commission the detailed design and costings of the proposed full refurbishment plan. The outcome of this second phase of the project is to add reasonable certainty to costings that will form part of the final Council report and financial assessment. Following approval of the recommendation to move forward with the project this budget will be reflected within the Capital Programme additions for Quarter 3 2017/18 and will subsequently form part of the final costings of the project.
- 4.3 The specialist team appointed to consider the options for the Shirehall has reported that initial capital investment in refurbishment and internal remodelling should yield a combination of revenue savings and income generation. This can be considered on the basis of three key areas:-
- Reduction in energy consumption and costs through enhanced building performance achieved through improved insulation and the incorporation of modern materials and systems.
  - The savings through the rationalisation of the Council's administrative estate and the consolidation of central administration back to one building through the vacation and potential disposal of the other Shrewsbury administrative bases.
  - The potential to generate income from external lettings to public sector partners through the One Public Estate initiative. Based on a target of creating efficient open plan accommodation combined with moving to a mobile and flexible workforce, this results in a target of having approximately 30% available floor space at the Shirehall.
- 4.4 A full financial appraisal of the proposed savings and income generation will be undertaken by officers when considering the funding options and detailed figures will be provided in the final Cabinet and Council report.

## 5.0 Background

- 5.1 Designed by Ralph Crowe and built in 1964, the building was to be the third Shirehall for the expanding Council body and was to be the first to accommodate all administration onto one site. The building is designed to respectfully accentuate the landmark column which sits to the south of the building and does so by gradually building up its massing towards the middle of the site. The Council chambers are clearly expressed in the only curving feature of the building, successfully echoing the curve of the column and relating the building's civic purpose.
- 5.2 Shirehall has been the site of the County Council ever since its construction and as such occupies a special place within Shrewsbury. The building is an iconic structure which has retained its historical purpose both for the Council and the community.
- 5.3 The Shirehall has a number of existing third party users including:
- Crown Courts
  - Connecting People
  - County Training, post 16 training and employment opportunities
  - County Furniture Group
  - Domestic Abuse Forum
  - Heritage England hot-desks
  - Kier
  - WSP
  - Network of Staff Supporters (NOSS) external counselling service
  - Royal Voluntary Services
  - Shropshire Homepoint
  - Women's Aid
  - Shropshire Association of Local Councils
  - Shropshire Providers Consortium
- 5.4 Local groups and neighbours use the car park on an ad hoc basis to support their events. These include St. Giles Church, the Scouts, Prestfelde School, Flower Show marshals, football park and ride and special town events.
- 5.5 The roof is an ideal spot for telecommunications masts and all of the main telecommunications companies have masts, along with a number of smaller operators and the police service.
- 5.6 Since 2015, efforts have concentrated on the development of a business case for investment in the ongoing retention of the Shirehall.
- 5.7 In 2016 photovoltaic panels were installed on various roofs and these are estimated to generate savings of between £16,000 and £19,000 in offset energy costs, as well as around £3,300 in income from feed in tariffs.
- 5.8 The Crown Courts expect to move from the Shirehall into the old magistrates Courts in 2018.
- 5.9 A temporary solution to provide an additional 50 car parking spaces on the site of the old tennis courts will be carried out in early 2018.

## 6.0 Work undertaken

6.1 HLM Architects and Real Estate Works were appointed on 27<sup>th</sup> July 2017 “to consider options to reconfigure Shirehall to make it more suited to modern working, and create income generating opportunities including creating innovative shared and / or lettable space”. They were asked to consider the following specific objectives:

- To provide a flexible working environment to support agile working
- To refurbish the entire building making it attractive and cost-effective to public sector partners and others
- To generate income from public sector partners and others
- To reduce running costs
- To provide a working environment within which staff are proud to work
- To create a sense of place
- To improve the internal environment to support the health and well-being of staff
- To deliver value for money and a return on investment

6.2 From the above review undertaken by HLM Architects and Real Estate Works we have summarised a number of key current usage facts:

- The net internal area (NIA) of the Shirehall is 9,840m<sup>2</sup>
- Up to 800 employees, an average of circa. 550 at any time, currently use the Shirehall across 1,024 potential work stations (i.e. 55% occupancy)
- There are 34 meeting rooms, with 34% utilisation at time of a survey undertaken over several days in September 2017.
- Shirehall currently operates at 54% efficiency, utilising only just over half of its gross internal area (GIA). The industry standard for a building of this function would be between 80-85%. The cellular, corridor led design of the building to date is the major contributing factor to these inefficiencies followed by the pepper pot location of plant and services throughout. Shirehall's current maximum sanitary provision falls around 50% short of government guidelines for adequate provision where the current allocation for storage is almost double the standard workplace model at over 2m<sup>2</sup> per workstation.
- We are wasting 819,500 KWh per year, as a result of mechanical and electrical inefficiencies and approximately 246,200KWh per year as a result of the single glazing. We estimate we save 53% of our current energy costs representing approximately £150,000 each year.

6.3 Shropshire Council leads the One Public Estate Programme (OPE) in Shropshire & Telford & Wrekin. The Programme is driven by Cabinet Office and the Local Government Association.

6.4 The OPE programme supports joint working across central and local government partners to stimulate the redesign of public sector services; use land and property to boost economic growth, unlock regeneration, and create more integrated public services. It encourages public sector partners to share

buildings, transform services, reduce running costs, and release surplus and under-used land for development.

6.5 Working with OPE Partners, the Council has submitted a bid to the One Public Estate (OPE) National Programme Round 6 Funding stream. The request is for a grant of £75,000 to prepare further detailed work on the Shire Hall Partnership Hub. The outcome of this bid is expected to be announced by Cabinet Office in mid December 2017.

6.6 The funding will support further detailed work which will be completed within a maximum of three months of funding being made available.

6.7 This detailed work will provide the following:

- Accurately identify current running costs across all affected property assets such that reductions can be measured against a robust baseline
- Investigate all potential avenues of funding that will contribute towards the development of the Shrewsbury Partnership Hub
- Assess alternative procurement routes
- Identify the optimum phasing of the scheme and relocation strategy to minimise disruption to Council business and that of other stakeholders
- Continue to develop design work to confirm technical feasibility and present a robust preferred solution which accommodates the Councils needs and those of its partners
- Confirm the interest from commercial occupiers and the likely terms of occupation.
- Detailed costings of the capital costs involved

## **7.0 A scheme for the redevelopment and refurbishment of the Shirehall**

7.1 HLM and Real Estate Works' full report was submitted at the end of September 2017. In developing proposals they have considered an analysis of what the Shirehall is, how it performs and why it needs to change; carried out research into what constitutes a good and productive working environment; described what this means for the Shirehall; and outlined an investment strategy.

7.2 By consulting with key members of staff and other stakeholders, carrying out a desk usage analysis and other data gathering, the following key issues were identified:

- Based on British Council for Offices' guidance the Shirehall space usage is at 54% efficiency
- At 23.2m<sup>2</sup> per occupant the space model is double the industry standard.
- 52% of work stations are utilised at any point 48% are surplus.
- 70% of meeting space is ineffective.
- Following reconfiguration to meet requirements and guidelines 47% of space would remain available to let, even after accommodating all Shropshire Council staff from Shirehall and Mount McKinley.
- 40% of occupants are dissatisfied with the thermal comfort levels.
- The average daylight levels are half industry standard, due to excessive partitioning.
- Productivity could be improved by 20% by improving the workspace.
- Absenteeism could be reduced by 25% by improving the workspace.

- We could save approximately 1,124,000KWh each year by improving the building fabric and mechanical & engineering (M&E)

7.3 Two investment options were considered and these are briefly summarised below.

	<b>Partial refurbishment</b>	<b>Full refurbishment</b>
Description	To attend to the identified priority areas, creating a much improved, more flexible and less costly space for occupiers. This strategy necessitates circa 50% of the building to remain untouched and mothballed.	To complete a refurbishment and reconfiguration of the entire building, creating a much improved, more flexible and less costly space, improve the reception and entrance arrangements and take up opportunities to bring third party partners into the Shirehall via the OPE and other arrangements, as well as bringing in commercial partners to key strategic street front locations.
Achievement of objectives / benefits (% achieved)	Provide flexible and agile working: <b>80%</b> Refurb the building, making it attractive and cost effective: <b>16%</b> Generate income from public sector and others: <b>30%</b> Reduce running costs: <b>65%</b> Provide working environment staff are proud to work in: <b>65%</b> Create a sense of place: <b>16%</b> Improve the internal environment to support health and well being: <b>65%</b> Deliver value for money and return on investment: <b>65%</b>	Provide flexible and agile working: <b>80%</b> Refurb the building, making it attractive and cost effective: <b>100%</b> Generate income from public sector and others: <b>80%</b> Reduce running costs: <b>65%</b> Provide working environment staff are proud to work in: <b>100%</b> Create a sense of place: <b>80%</b> Improve the internal environment to support health and well being: <b>100%</b> Deliver value for money and return on investment: <b>80%</b>
Estimated Cost	£8.1 million	£18.7 million
Return on investment	18%	15.8%
Payback period	11 years	13 years
Risks	Public perception that we complete part of the building and then go back in the future to do the rest. Security for mothballed areas. Continued cost for mothballed areas.	We may not get the income generation we expect to make the Return on Investment. Public perception of the proposed expenditure.



- 7.4 In conclusion, officers are recommending the option of refurbishing the entire building and progressing the necessary due diligence and feasibility work. This brings significant benefits, which are not realised by the partial refurbishment, such as:
- Most significantly the cash flow benefit is potentially double, at £3m per annum, compared with £1.5m per annum, therefore the two year difference in the ROI period would be negated after the first year.
  - The partial refurbishment strategy brings significant risks and ongoing liabilities associated with the mothballing of 47% of the Shirehall.
  - The public perception that we spend £8.1m and only complete half of the building would be damaging and additional reputational damage would result from spending £8.1m and then spend an even greater amount in the future, when it is no longer tolerable or practical to keep half of the building untouched.
  - When measured against the eight identified objectives, the full refurbishment strategy meets these, on average, by 85%, whereas the partial refurbishment strategy meets them by an average of 50%.
  - The partial refurbishment strategy, partly meets the core fit out requirements and core environmental improvements, but none of the additional fit out opportunities, including parking, remodelling the entrance and reception to enhance public perception, introducing retail opportunities and increased alternative technologies. The full refurbishment strategy meets all of the core requirements as well as all of the additional ones.
- 7.5 Importantly the full refurbishment strategy creates commercial opportunities to generate greater income and to work with partners to achieve greater shared efficiencies. It enables us to fulfil more of the Council's objectives, enhance public perception and minimise ongoing liabilities. The negative publicity associated with the increased spend can be countered by these arguments and should be a 'once in a lifetime' investment in the building.
- 7.5 Key to a reconfigured and improved Shirehall will be ensuring there is sufficient parking. Work has been undertaken to look at the car parking implications of both the partial and full refurbishment strategies.
- 7.6 To inform the analysis of parking options, best practice was reviewed in terms of parking solutions adopted by other local authorities, particularly those in similar settings.
- 7.7 Given the significant potential parking needs of key public sector partners, the scope of the study included re-engagement with partners to confirm their commitment to the creation of a public sector hub at the Shirehall, to understand their parking needs.
- 7.8 When comparing the staff to parking space ratio of the Shirehall to other similar authorities, it was clear that provision compares very favourably already, as does the number of car parking spaces per square metre of useable office space. The parking needs to be managed in such a way that it changes staff perception and options for doing this include:

- Travel plans – essentially a management tool, the core purpose of which is to minimise the negative impact of travel and transport on the environment. It can include assistance such as discounts with local travel operators, car pools, amended bus routes and priority parking.
- Cultural/behaviour change – an ideal time to introduce this shift is when coupled with improvements in other areas of working life, such as an enhanced working environment.
- Permits and charging – again linked to an improved working environment and a system which is devised to be fair.

7.9 Finally the study drew out some options for increased parking provision, with the associated costs for each, ranging from no investment and a reliance on the strategies above to larger scale increases in car parking spaces including a multi storey option.

## 8.0 Next steps

8.1 Subject to Cabinet approval, further work will be undertaken over the next three months to develop the proposals, prior to making a final recommendation to Cabinet and full Council in the first half of 2018.

8.2 This would involve continuing to work with potential partners to better understand their specific spatial needs as well as confirming our own, drawing up a detailed design brief and appointing consultants to develop the design options in sufficient detail to enable more accurate costs to be gained. Specialist input will be required from mechanical and electrical consultants to ensure that the expected energy savings are achievable with any proposed designs.

8.3 It is anticipated that should approval be provided, it will take up to 40 months to appoint architects, obtain the necessary statutory permissions, to appoint contractors and to complete the works.

<b>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</b>
<b>Cabinet Member:</b> Cllr Steve Charmley – Portfolio Holder for Corporate Support
<b>Local Members:</b> All Members
<b>Appendices:</b>