



<u>Committee and Date</u>
Council
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<u>Item</u>
<u>Public</u>

Shrewsbury Civic Centre Project

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1. Summary

- 1.1 This report sets out the proposal to stop the Shirehall redevelopment project and take a different approach which involves relocating the council's headquarters to Shrewsbury town centre. This is informed by the way services have been delivered as a result of the COVID19 pandemic and provides greater scope to significantly reduce building related costs and carbon emissions. This in turn will allow the council to spend more on people and less on buildings.
- 1.2 The report seeks Members' approval to undertake more detailed work to consider options for a new civic centre, which also demonstrates to potential investors and local businesses that the council is creating additional footfall in the town centre and supporting growth in the county's economy.
- 1.3 The report considered by Council on 13 December 2018 resolved:
 - i. That the refurbishment of the entire Shirehall building be approved in principle, subject to a further report to be considered by Cabinet with a final business case, developed designs and final project budget.
 - ii. That the addition of £1.15m to the capital programme to support Stage 3 of the project with delegation to the Director of Place to oversee the production of the final business case be approved. Further option appraisal work be undertaken by officers, at no additional cost and in parallel with the procurement of the design consultants, to ensure that the best value option is secured for the Council.
 - iii. Delegates to the Director of Place, in consultation with the Portfolio Holder for Corporate and Commercial Support, the development of the procurement strategy for stage 3 Design stage process with developed designs brought back to Cabinet and Council for approval together with the final project budget be approved.
 - iv. Further reports be considered by the appropriate overview and scrutiny committee prior to consideration by Council

- 1.4 In spring 2019, officers undertook further option appraisal work for a civic centre location in Shrewsbury at no additional cost, the timing of which aligned with work being undertaken as part of the Big Town Plan. The purpose was to identify alternative locations for the Council's base which had the potential to accommodate other public sector partners and produce additional footfall for Shrewsbury town centre.
- 1.5 In Autumn 2019, officers paused further work on the Shirehall project to ensure that the future requirements for a civic centre involved a more thorough assessment of environmental and economic factors. The Council also needed to review its financial strategy in light of further pressures at this time.
- 1.6 Subsequently as a result of COVID19 pandemic; there has been a fundamental change in the way that staff have been working. Over 95% of staff who work at the Shirehall before the pandemic have been working from home and from other locations during the lockdown period.
- 1.7 A Council staff survey was undertaken in June 2020 in which 90% of staff who responded said they want to work from home, or a mixture of working from home and the office in the future. Embracing this positive response from staff to working differently has enabled the opportunity for the Council to rethink its accommodation requirements and to question the need for a large amount of office space for staff to be based in Shrewsbury.
- 1.8 This report seeks approval for a much smaller amount of investment in the Shirehall building to allow for essential repair, maintenance works and agreed re-alignment of working areas for a period of up to three years to 31 March 2023.

2. Recommendations

It is recommended that Council:

- A. Stop work on the project which involves the full refurbishment of the Shirehall building.
- B. Delegates to the Executive Director of Place, in consultation with the Portfolio Holder for Assets, Economic Growth and Regeneration, to provide a full evaluation of potential civic centre locations in Shrewsbury town centre along with outline costs and benefits.
- C. Delegates to the Executive Director of Place, in consultation with the Portfolio Holder for Assets, Economic Growth and Regeneration, to work on a potential disposal strategy for the Shirehall.
- D. A report covering the work in B and C will be provided to Performance Management Scrutiny Committee prior to consideration by Council.

REPORT

3.0 Opportunities Appraisal and Risk Assessment

- 3.1 In 2017, Shropshire Council approved an ICT Digital Transformation Programme with the aim of transforming IT systems, reshaping services and 'back-office' functions, reducing costs, removing duplication, improving efficiency and enabling more effective agile service delivery across a rural geography. By 2019 significant progress had been made in respect of this work. With the capacity and functionality of these systems being tested in real time in 2020; firstly with the flooding events and then closely followed by the COVID 19 pandemic. The organisational response to maintaining services through this period, has been exceptional. With a step change in the number of staff working remotely and their ability to respond to change both with new software and working arrangements to ensure that service delivery has been maintained.
- 3.2 Shropshire's business continuity arrangements for Council services in response to the Coronavirus pandemic has demonstrated that a significant amount of work has been undertaken by staff using digital technology from home and/or from remote locations. Only small numbers of staff continue to attend their usual work base during the lockdown period. Over a period of eight weeks during April and May 2020 staff numbers averaging between 30 to 40 have occupied the Shirehall building. This represents a 95% reduction in occupancy prior to the pandemic and lockdown.

Table A shows the County wide position on building occupancy before and during the COVID19 lockdown period.

Building	Pre-covid occupancy	Current occupancy
Shirehall	800*	35
Mount. Mckinley	229	24
Ptarmigan	188	13
Castleview	141	3
Canterbrook	83	1
Old St. Ludlow **	10	0
Raven House	56	1
Longden Rd	32	4
The Gateway	46	1
Edinburgh House	31	1

- 3.3 Further work is required with staff to understand how sustainable this way of working is. There is the potential to 'lock in' some elements of this way of working and accelerate the implementation of our Digital Workforce, Asset Management and Carbon Reduction plans. By investing in further technology, training and support for staff and customers, there is huge potential to reduce our reliance on office space, giving us the opportunity to share buildings with partners to improve service delivery as well as make financial efficiencies. This would be a paradigm shift for the Council and establish a new way of working which we will need to communicate to staff, Members, customers and our partners.
- 3.4 The business model which underpinned the work and proposals for a full refurbishment of the Shirehall has changed following the outbreak of the Coronavirus pandemic. Staff have had to work away from their office work base in line with Government guidance. This has provided opportunity for the Council to rethink its accommodation needs going forward. This includes reviewing the need for a large amount of office space for staff to be based in Shrewsbury.
- 3.5 As part of the transition to a new way of working, we will seek to mothball floors/areas of Shirehall to limit future occupancy levels and to ensure that we can fully comply with Fire Safety Regulations at a reasonable cost.
- 3.6 Similarly the investment required to retrofit carbon efficient infrastructure and reduce the Shirehall's carbon footprint will not be required if the size and scale of the headquarters is significantly reduced. With the opportunity to consider more sustainable methods of travel for those who need to access and use it. The Council owns a number of buildings and land in Shrewsbury and the wider County and is able to manage its estate and redevelop land accordingly to meet the business requirements.
- 3.7 There is a risk that the development plans for Shrewsbury, primarily the Big Town Plan, and the plans to invest in a new civic centre could be disconnected if managed as separate projects. This can be addressed by including a new civic office centre in the wider development plans for the town centre. In this way it is possible to design and develop a new civic centre that can be used by the council and partners who seek similar benefits in terms of location, cost, carbon efficiency and more modern working environments. This in turn generates additional footfall and business for Shrewsbury town centre.

4.0 Financial Considerations

- 4.1 The proposal to fully refurbish the Shirehall which was presented to full Council in December 2018 stated that the estimated overall cost for the project had increased to £24.1m.
- 4.2. The running costs associated with the Shirehall Building are approximately £1.3m per annum and these costs would expect to be incurred over the next three years, totalling around £4m, if no changes were made. The running costs include utility costs (gas and electricity) of £0.35m and in 2019/20,

included contract maintenance works of £0.2m. It is estimated that some reconfiguration of the existing layout in Shirehall will be required alongside additional essential maintenance works to ensure the building is safe and functional for the next three years. Work to make Shirehall health and safety compliant in the long term was projected to cost around £5m. It is estimated, however, that the revised proposals detailed in section 3.5 and 3.6 of this report will cost no more than £0.5m per year. This cost will be managed via the capital programme going forward as part of the review of the current Asset Management Programme prioritisation and funding availability within the current programme.

- 4.3. It is anticipated that a move to an alternative, smaller and more carbon and energy efficient building within the next three years will reduce the costs associated with administration buildings for Shropshire Council and deliver a revenue saving. As a result, the cost of running and maintaining Shirehall as it is decommissioned over the next three years will be factored into the Financial Strategy from 2021/22. These costs are expected to decrease due to reduced occupation and demands on the building across the three year period and with resultant savings associated with utility costs combined with potential reduction in cleaning and facilities management costs. It is estimated savings could be in the region of 30% per annum in this respect, dependent on the development of the occupation model for the three year period linked to the recovery process in response to Covid-19.
- 4.4 Revenue funding allocated via the One Public Estate programme of £50,000 can be used if required to pump prime the commissioning of further work on civic hub options as part of the wider Shrewsbury big town plan.
- 4.5 Work will also be commissioned to undertake a disposal strategy for the Shirehall complex and site to determine the value and costs associated with this. This will help inform the asset management plans for the Council's future business model.

5.0 Climate Change Appraisal

- 5.1 The Shirehall complex which occupies over 20,500 square meters generates more carbon emissions than any other council owned building. It generates around 1,044 tonnes of carbon per year and costs about £316,000 p.a. (19/20 electric and gas). In addition to carbon savings from buildings the need for staff to take fewer longer journeys will significantly reduce carbon emissions and encourage more staff to work in an agile way using technology. Active transport options will be considered to further reduce emissions and promote healthy lifestyles.
- 5.2 Renewable energy generation: The accommodation strategy proposed will also provide opportunities for the installation of new renewable energy equipment such as solar PV panels on buildings. Our current solar assets (which amount to 1.2MW capacity) save £115k p.a. across the sites electric bills and generate a further £130-140k p.a. in feed-in-tariff depending on the type of year and maintenance issues. This mitigates over 250 tonnes CO₂ annually (and over 2000 tonnes cumulative).

6.0 Background

- 6.1 In July 2017, the Council appointed a specialist team, led by HLM Architects and Real Estate Works, to consider options to reconfigure and refurbish the Shirehall in order to meet the Council's priorities to make it better suited to modern working and create income generating opportunities for the Council.
- 6.2 That initial piece of feasibility work was presented to Cabinet on 13th December 2017. The consultants recommended a significant investment to address the problems with the building and achieve the desired project objectives. Cabinet agreed, in principle, to move forward the option of refurbishing the entire building and progressing the necessary due diligence and feasibility work to inform the decision making process.
- 6.3 It was agreed that a sum of £300,000 should be added to the capital programme to enable to project to proceed to Stage 2, which would provide significantly increased certainty around the project costs and the business case.
- 6.4 The Stage 2 financial business case was prepared by Rider Levett Bucknell (RLB) which identified an estimated cost of £24.1m and a potential yield of 7% (after borrowing), with a payback period of 11 years and a likely stabilised cash flow (assuming borrowing) of £1.8m.
- 6.5 Council resolved on 13 December 2018 to approve in principle the refurbishment of the entire Shirehall building, subject to a further report to be considered by Cabinet with a final business case, developed designs and final project budget.
- 6.6 Further Council resolved that further option appraisal work be undertaken by officers, at no additional cost and in parallel with the procurement of the design consultants, to ensure that the best value option is secured for the Council.
- 6.7 This work identified a number of potential venues in Shrewsbury town centre which may be considered as a suitable base for a new civic centre and one which may be shared with partners to derive a commercial income.
- 6.8 Since then the working environment has fundamentally changed. The Coronavirus pandemic has initiated new ways of working for staff work during a prolonged period of lockdown. It also provides valuable evidence and intelligence in terms of how the Council could fundamentally change how it operates and delivers services for residents, clients and customers.
- 6.9 This provides the opportunity to bring forward a smaller civic hub footplate for the Council, enabling home/agile working for staff. It also allows the council to establish a wider network of venues in local communities from which staff can work involving less travel time and cost, and increase the council's presence.
- 6.10 There are also significant economic considerations as part of this strategy for a town centre base therefore helping to drive footfall, supporting sustainable modes of travel and encouraging spend in the local economy.

- 6.11 Greater use of digital technology and a reduction in poorly used, costly and carbon emitting buildings will allow a range of benefits to be realised. Valuable evidence and learning gained during the pandemic period suggests that there is a growing case for changing how the Council operates in future.

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p> <p>Shire Hall Redevelopment & Refurbishment Project – 13 December 2018 Shirehall DEC and Advisory Report AMR utilities data – 5 Year Summary Excel</p>
<p>Cabinet Member:</p> <p>Cllr Steve Charmley – Portfolio Holder for Assets, Economic Growth and Regeneration</p>
<p>Local Members:</p> <p>All Members</p>
<p>Appendices: N/A</p>