



Officer and Date

Performance Management  
Scrutiny Committee  
20 January 2021

Item

Public

## **Civic Centre Options Appraisals Update**

**Responsible Officer** Tim Smith

e-mail: [tim.smith@shropshire.gov.uk](mailto:tim.smith@shropshire.gov.uk)

Tel: (01743) 288676

### **1. Summary**

- 1.1 Members of the committee are asked to consider the work that has been undertaken following the council decision on 16<sup>th</sup> July 2020 to stop the Shirehall redevelopment project and take a different approach which involves relocating the council's headquarters to Shrewsbury town centre by 31 March 2023.
- 1.2 On 16<sup>th</sup> July 2020 Council approved the following recommendations:
- a. Stop work on the project which involves the full refurbishment of the Shirehall building.
  - b. Delegate 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. Delegate 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. Agree that a report covering the work in B and C will be provided to Performance Management Scrutiny Committee prior to consideration by Council.
- 1.3 This report summarises the findings, conclusions and recommendations of the feasibility and options appraisal work undertaken by independent consultants to determine the optimum solution for a Civic Centre in Shrewsbury town centre.
- 1.4 Furthermore officers will update on the work associated with a potential disposal strategy for the Shirehall.

### **2. Decision**

- 2.1 To consider and comment on the work that has taken place covering recommendations 1.2.b and 1.2.c. This shall be included in a report to be considered by full council on 25 February 2021.

## REPORT

### 3. Risk Assessment and Opportunities Appraisal

- 3.1 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 continue 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.
- 3.2 As previously reported to Council the annual running costs associated with the Shirehall building, which has a gross internal floor area of 20,516m<sup>2</sup>, was £1.3m in financial year 2019/20. The Shirehall building requires significant investment to be health and safety compliant for the longer term. Costs associated with this are estimated to be in the region of £5 million. The wider savings associated with moving to a new building of a much reduced scale and footprint will drive significant future savings for the Council which in turn will allow the council to spend more on people and less on buildings.
- 3.3 During the pandemic areas and floors of the Shirehall have been mothballed to limit occupancy levels and to ensure that we can fully comply with Fire Safety Regulations at a reasonable cost. Shropshire Fire and Rescue Service carried out an audit of the premises in November 2020. The outcome of the audit was broadly compliant. Through the audit process, it was noted within the Fire Risk Assessment for the premises, that future occupation of Shirehall will continue to be limited to ground, first and partial second floors only and that re-occupation in greater numbers will only occur once these floors have been subject to remedial works to make it safe for employees to do so.
- 3.4 The council has proven over the last nine months that the need to occupy a large headquarters building has significantly reduced as staff and Elected Members work in a more flexible and agile way using digital tools and systems. Work has been undertaken to configure a much smaller footprint of the Shirehall and a new digital booking system has been implemented. Officers have also been identifying venues around the county that staff, Members and partners can use in a Co Vid compliant way to undertake work when it is not possible to work from home.
- 3.5 The council continues to engage with staff to understand how sustainable this way of working is. We recognise that our staff are our most important asset. Their health, safety and well being is paramount particularly where additional pressures are placed on staff working at home and on the front line during the pandemic. 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.

3.6 Including a new civic office centre in the wider development plans for the town centre assists in its regeneration plans. 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. Summary of the civic centre option appraisals approach**

4.1 In October 2020 Arcadis were commissioned by Shropshire Council to provide consultancy support in undertaking a feasibility and options appraisal to determine the optimum solution for a Civic Centre in Shrewsbury town centre. The target date for relocation has been identified as being on, or before, 31 March 2023.

4.2 This work was 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 allows the Council to spend more on people and rationalise and reduce its administrative property portfolio.

4.3 Furthermore the consultants were asked to appraise options to relocate with other public sector partners within each development opportunity.

4.4 The work that has been undertaken is informed by the Big Town Plan and the Northern Corridor consultation and identified five buildings for the potential Civic Centre site. Three are owned by Shropshire Council being the Guildhall, the Riverside shopping centre and the Pride Hill shopping centre. The two remaining buildings are privately owned and are commercially sensitive in terms of naming these sites. In this report they shall be referred to as private sector building option 1 and private sector building option 2.

4.5 The consultants appraised each of the five options against the information that has been made available for each building and have designed the criteria in such a way as to create a level playing field for all of the options.

4.6 An options appraisal analysis has been undertaken for each site to assess the relative opportunities and challenges of each option based on a risk-based analysis. In the absence of detailed project information for each project the consultants assessed each opportunity based on their experience both in terms of their local knowledge and industry best practice on similar schemes across the country.

4.7 Each building option has been initially appraised against the following criteria:

- a. estimated build cost and value;
- b. site preparation, demolition, remediation and abnormal site conditions;
- c. deliverability – in this context means sites that are capable of delivering flexible accommodation in a town centre location within a three-year period;
- d. adaptability, flexibility and resilience to mitigate future changing organisational needs;
- e. suitability – judged on what the site is now and how to make fit for purpose;
- f. timing, phasing and indicative delivery programmes;

- g. lifecycle/whole-life costs including opportunities to address legacy/backlog maintenance issues;
- h. commercial opportunities to support stakeholders, partners and generate income;
- i. sustainability and climate impacts;
- j. Support of wider Shrewsbury Big Town Plan aspirations.

4.8 To inform a qualitative and quantitative assessment the above criteria have been grouped and developed using an assessment matrix. The criteria are given a category reference and a quantitative weighting based upon the relative importance of each element. For example, deliverability within 3 years is a top priority given the need to vacate Shirehall and therefore this is given a quantitative weighting of 100%. Each option is scored against the criteria and then a weighting percentage is applied to give an overall score, together with a risk assessment.

4.9 Furthermore assumptions for the accommodation requirements which are to be further developed at the next stage of analysis are shown in table 1. Please note that partner names are anonymised as these remain commercially sensitive.

Table 1 – Assumed accommodation requirements

Agency	Staff	Desks	Floor area (based on 12/m <sup>2</sup> /desk)
Shropshire Council Staff	550	250	3,000m <sup>2</sup>
Democratic allowance			300m <sup>2</sup>
Public sector partner 1	132	80	960m <sup>2</sup>
Public sector partner 2 – nominal allowance		15	180m <sup>2</sup>
Public sector partner 3	75	60	720m <sup>2</sup>
Public sector partner 4	25	20	240m <sup>2</sup>
Public sector partner 5	15	12	144m <sup>2</sup>
<b>TOTAL ACCOMMODATION REQ</b>		<b>437</b>	<b>5,544m<sup>2</sup></b>

## 5 Option appraisal conclusions

5.1 The consultants appraised each of the five building options setting out:

- a) Background and Context in terms of location and potential to support regeneration and implementation of the Big Town Plan;
- b) Indicative Proposal for the redesign and repurposing of each building;
- c) Programme involving a high-level timeline, based upon the knowledge of the site and the status of discussions with key stakeholders;

- d) Cost Assessment; Indicative costs are based on a range of BCIS benchmarked cost indices for comparable development projects. The costs do not constitute an assessment of the actual likely development costs for each scheme but are provided in order to allow for a cost comparison of the site against the other options;
- e) Options Appraisal Analysis using the approach and matrix set out in section 4 above.

5.2 Based upon assessment work of the options using the criteria presented above the options are ranked as follows:

Ranking	Option	Score	Risk Rating
1	Pride Hill shopping centre	25.25	
2	Guildhall	13.75	
3	Riverside shopping centre	13.75	
4	Private sector building – option 1	11.75	
5	Private sector building – option 2	6	

5.3 The consultants concluded that whilst there is an aspiration to deliver all of the opportunities set out within the brief, it is clear that it is essential that the preferred option delivers a new civic centre in Shrewsbury town centre by 31 March 2023. It is also clear that the options offer a wide variety of opportunities and challenges and a very different outlook in terms of capital expenditure and commercial opportunity.

5.4 The consultants summarised the relative costs and opportunities of each building scheme as follows:

Site option	Area (m2)	Total	Income generation	Adding value to existing SC asset	Reduces cost of asset	Ranking by Capital Cost
Private sector building – option 1	Total Cost/m2	£12,575,040 £2,268	✓	x	x	7
Private sector building – option 2	Total Cost/m2	£6,562,500 £2,625	X	x	x	2
Guildhall (based on	Total Cost/m2	£5,940,000 £1,800	X	x	✓	1

refurbishing for SC only)						
Guildhall (based on existing footprint)	Total Cost m/2	£7,479,000 £1,800	X	x	✓	4
Guildhall (extended to include partners)	Total Cost m/2	£10,479,240 £1,890	X	x	✓	5
Riverside	Total Cost/m2	£14,990,880 £2,704	✓	✓	✓	8
Pride Hill (with partners)	Total Cost/m2	£12,474,000 £2,250	✓	✓	✓	6
Pride Hill (without partners)	Total Cost/m2	£7,425,000 £2,250	✓	✓	✓	3

5.5 The costs assumed by the consultants are indicative based on the high level appraisal as set out in paragraph 5.1d but based on industry recognised estimates provided by the Royal Institute of Chartered Surveyors (RICS). The next stage would be to undertake a detailed appraisal and update the indicative values to reflect the option specific variables, characteristics and constraints. Therefore, whilst the option costs are helpful to guide in the context of the option appraisal, it would be prudent to make a contingency provision of 20% as an addition when considering in the context of the wider paper.

## 6. Option appraisal recommendations

6.1 The consultants recommend that the three lowest scoring buildings are discounted from further evaluation work. Whilst they have merit it is highly unlikely that these sites are deliverable by 31 March 2023.

6.2 The consultants recommend at this stage that the following options are shortlisted for further analysis and consideration:

- Pride Hill shopping centre
- Guildhall

6.3 The Pride Hill shopping centre building can fully accommodate the Council and partners who have indicated their interest in co location with the council in Shrewsbury town centre. This option provides a higher rental income for the Council against which to pay-back any loan secured for the additional capital costs. Further assessment of this is required.

6.4 Whilst this option has a higher capital cost compared to the Guildhall, it represents a better commercial opportunity in terms of income generation, which could also act as a catalyst for additional commercial opportunity within the remaining areas of the

building. This option would utilise 5,544m<sup>2</sup> of the existing 9,785m<sup>2</sup> of accommodation (based on the existing footprint). It aligns well with the Big Town plan and brings into beneficial use a failing asset.

- 6.5 The Guildhall is currently occupied under lease by the University of Chester who manage and operate the University Centre of Shrewsbury. The current lease expires in June 2022. Discussions regarding the future accommodation requirements are ongoing. Whilst this option is favourable in terms of capital cost it is not purpose designed or built for the requirements of the Council and, at 4,155m<sup>2</sup>, it is not large enough to accommodate all of the requirements of the Council and its partners. It also provides little commercial opportunity and does not align as well with the Big Town Plan.

## **7 Potential disposal strategy for the Shirehall**

- 7.1 Local authorities can consider a range of options when it comes to disposing of assets and these options will be influenced by the particular objectives of the authority and the circumstances relating to the land. The overarching principle is that best value must be achieved. When considering the Shirehall site place making should be at the heart of future development. Land disposals should help deliver local planning objectives, addressing matters such as the requirement for a five year land supply, or the assessed need for housing and employment land.
- 7.2 The Shirehall site provides an excellent development opportunity for the community which is located at a key gateway to the town. Its location at the heart of a residential district provides a very strong option for local housing and can provide further housing in Shrewsbury to address unmet demand. It has the potential to deliver a mix of high quality housing including affordable homes which are in keeping with the local area and which are well designed in terms of carbon performance.
- 7.3 In terms of the disposals process the Council must consider the following options as set out by MHCLG and these include:-
- Formal Tender
  - Informal or Negotiated Tender
  - Public Auction
  - Private Sale
  - Exchange of Land

It is also recognised by Government that in meeting its overall objectives of supporting and facilitating the increase in the release of public land for housing is not always met through the outright disposal of land. In certain instances, local authorities may elect to retain land and take a more direct role in development and delivery, potentially with land transferred as equity. Where this does not include social and affordable housing, local authorities can deliver homes outside of their

Housing Revenue Accounts. One potential option includes utilising a wholly-owned company to acting as a vehicle for market housing development.

- 7.4 Local authorities are usually required to dispose of land on the basis of the best consideration reasonably obtainable. Local authorities disposing of land should have regard to the requirements of Government. In certain circumstances local authorities may dispose at less than the best consideration and these relate to purposes for which the land is to be disposed of is likely to contribute to the promotion or improvement of the economic, social or environmental well being of its area. This is limited to where the difference in value between the unrestricted value of the interest to be disposed of and the consideration accepted ("the undervalue") is £2,000,000 (two million pounds) or less. For a value difference over this level Secretary of State approval is required.
- 7.5 The most important process in progressing any disposal is the valuation and this is strongly advised for any disposal including those progressed on the basis of open market tender. This enables the authority to demonstrate that it has adopted a consistent approach to decisions about land disposals by carrying out a consistent and transparent step by step valuation process in line with guidance set down by the Royal Institute of Chartered Surveyors (RICS).
- 7.6 The development area of the Shirehall site has been considered by officers and is set out in Appendix A. Committee members will note that this does not include at this stage the Unison club, sports field or bowling green as these are deemed to be important community assets and open space. The land used as an overspill car park and currently used as a Covid testing venue is not included in the proposed development boundary but it may be added or dealt with independently.
- 7.7 There are a range of site considerations which need to be taken into account in the disposals strategy. These include the decommissioning and demolition of the Shirehall and associated buildings, relocation of the ICT and telecommunications infrastructure, access and parking associated with the recreational facilities and the adjacent courts and access to and from the site from the adjoining roads.
- 7.8 The disposal strategy for the site should therefore reflect the Council's view on the best way of securing the optimum development outputs and outcomes whilst achieving best value in terms of financial return. The options as set out above will be considered in detail and some initial soft market testing is underway with both Homes England, the Governments homes accelerator, and the Council's housing development company, Cornovii Developments Limited. This will help further inform the disposal strategy alongside an independent valuation to inform an appropriate recommendation.
- 7.9 The report to Council on 25<sup>th</sup> February 2021 will set out these options and seek an in principle decision to proceed with a preferred option having considered all relevant aspects.



## 8. Next steps

- 8.1 Committee is requested to consider and comment on the approach and outcomes of the options appraisal work, and the potential disposals strategy, that has been summarised in this report. Committee members' comments will be included in a report that shall be considered by full council on 25 February 2021.

<b>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</b>
Shrewsbury Civic Centre Project Full Council 16 July 2020
<b>Cabinet Member (Portfolio Holder)</b> Steve Charmley Deputy Leader and Portfolio Holder for Assets, Economic Growth and Regeneration
<b>Local Member</b> Committee Members
<b>Conflicts of interest declared by members</b>
<b>Appendices</b> Appendix A – Shirehall proposed development plan area