

Supplement to the agenda

Connected Communities Scrutiny Committee

Wednesday 8 November 2023, 10.00 am

Conference Room 1, Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE

Contents

Item	Title and purpose	Page(s)
4.	Minutes To receive the minutes of the meeting held on 23 October 2023.	3 - 12

Minutes of the meeting of the Connected Communities Scrutiny Committee held in Conference Room 1, Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE on Monday 23 October 2023 at 2.00 pm

Committee members present in person and voting: Councillors: Bruce Baker, Ellie Chowns (Chairperson), Frank Cornthwaite, David Hitchiner, Ed O'Driscoll (Vice-Chairperson), Roger Phillips and Ben Proctor

Others in attendance: M Averill (Service Director Environment and Highways), B Baugh (Democratic Services Officer), Councillor G Biggs (Cabinet Member Economy and Growth), Councillor H Bramer (Cabinet Member Community Services and Assets), L Good (Service Director - Communities), H Hall (Corporate Director Community Wellbeing), Councillor L Harvey, D Jones (Programme Manager), S Jowett (Strategic Assets Delivery Director), S Lee (Culture and Leisure Lead), Councillor J Lester (Leader of the Council), J Lilley (Community Wellbeing Communications Officer), Councillor P Price (Cabinet Member Transport and Infrastructure), A Rees-Glinos (Governance Support Assistant), Councillor P Stoddart (Cabinet Member Finance and Corporate Services), D Webb (Statutory Scrutiny Officer) and S White (Programme Manager)

9. APOLOGIES FOR ABSENCE

There were no apologies for absence. It was noted that Councillor Roger Phillips had recently replaced Councillor Rob Williams as a member of the committee.

10. NAMED SUBSTITUTES

None.

11. DECLARATIONS OF INTEREST

No declarations of interest were made.

12. MINUTES

The minutes of the previous meeting were received.

Resolved:

That the minutes of the meeting held on 19 July 2023 be confirmed as a correct record and be signed by the Chairperson.

13. QUESTIONS FROM MEMBERS OF THE PUBLIC

No questions had been received from members of the public.

14. QUESTIONS FROM MEMBERS OF THE COUNCIL

No questions had been received from councillors.

15. PRE-DECISION SCRUTINY OF THE FORTHCOMING CABINET DECISION ON 'REVIEW OF THE FULL BUSINESS CASE FOR THE SHIREHALL AS A LOCATION FOR THE FUTURE OF HEREFORD CITY LIBRARY'

The Chairperson advised that the purpose of this item was to undertake pre-decision scrutiny of the full business case for Shirehall as a location for the Hereford Library and Learning Centre (HLLC) and the full business case for the HLLC at Maylord Orchards.

The Cabinet Member Community Services and Assets made opening comments about the potential of Shirehall as a location, including: meeting the strategic objectives of the Town Investment Plan; bringing a heritage asset back into use; achieving a higher Benefit Cost Ratio, as independently assessed by Rose Regeneration; providing opportunities for other facilities and services given the larger footprint; utilising more of the Stronger Towns Fund on fit out and on the visitor experience; generating income, through a dedicated events space and the hire of rooms, to offset operational costs; and reducing additional operating costs given the service charges that would be incurred at Maylord Orchards.

The key topics explored by the committee and principal lines of questioning are summarised below.

Strategic case

1. In response to a question from a committee member about previous assessments indicating a decline in retail in city centres, the Cabinet Member Community Services and Assets commented on current unit occupancy at Maylord Orchards.
2. A committee member said that Maylord Orchards provided options for different uses and higher income potential, whereas the options for Shirehall were limited given its historic context.
3. Referring to the 'Short-list of options' in the business case for Shirehall (committee agenda page 62 / Cabinet agenda page 82) which showed 'Do nothing' was the 'Base case' and 'Develop Library and Learning Centre in the Shirehall building' was the other option, the Chairperson questioned why the base case was not to continue with the project at Maylord Orchards given that this was fully designed and funded, and had planning permission. The committee was advised that the document provided an independent look at the Shirehall location.
4. The Vice-Chairperson questioned whether consideration had been given to a 'hybrid' option where some services could be located at Maylord Orchards and others at Shirehall. The committee was advised that the business case for Shirehall had been provided to enable comparison with that for Maylord Orchards.

Economic case

5. Referring to the 'Approach to economic case' (committee page 67 / Cabinet page 87) which stated 'Project options are fully considered in the strategic case', the Chairperson emphasised that the existing project at Maylord Orchards had been omitted from the strategic case.
6. A committee member expressed a personal view that the case for Shirehall was convincing, particularly in view of the need for the refurbishment of the building.
7. The Chairperson noted that the agenda papers contained only a few references to the £4.2m required for the Phase 1 refurbishment works to the Shirehall building, with no further details provided. The Chairperson considered it striking that the

economic case (including the Benefit Cost Ratio) did not include the costs of the Shirehall refurbishment works which were required to bring the building back into safe use, with four further phases up to 2029.

8. The Chairperson observed that the costs of cancelling the Maylord Orchards project had been omitted from the economic case and from the covering report. The Cabinet Member Finance and Corporate Services reported that the costs of cancelling the Maylord Orchards project were currently £446k, based on £135k spent to date, £107k to Speller Metcalfe and £204k to Mace Limited; the latter two figures were dependent on the final decision to terminate the project. The Chairperson identified that, at the previous committee meeting held on 19 July 2023, it had been reported that the costs already incurred were £684k, plus at least £86k (and up to £608k) for demobilisation costs (paragraphs 36 and 37 of the report on ['Review of New Hereford Library and Learning Resource Centre Location'](#)). Later in the discussion, the Programme Manager commented on orders that had been placed but cancelled at no cost.
9. The Strategic Assets Delivery Director commented that some of the cancellation costs may be allowable under the Stronger Towns budget. The Chairperson requested complete transparency and clarification of the potential cancellation costs.
10. In response to a question about the omission of the refurbishment costs of Shirehall and the cancellation costs of the Maylord Orchards project from the Benefit Cost Ratio (BCR), the Cabinet Member Community Services and Assets re-iterated that the BCR was defined by Rose Regeneration. The Programme Manager added that Rose Regeneration had provided the BCRs for all the Stronger Towns projects and had been asked to provide the BCR for Shirehall to enable comparison of the respective business cases.
11. In response to a further question, it was commented that the refurbishment of the Shirehall building was a separate matter to the installation of the Library and Learning Resource Centre (LLCC). The Chairperson challenged this, as the LLCC could not be delivered at Shirehall without the expenditure on the refurbishment works and on the cancellation of the Maylord Orchards project; it was noted that the papers made references to the project being 'wholly dependent on the refurbishment of the Shirehall building'. The Chairperson considered that the inclusion of these costs could take the BCR below 1 which would make the Shirehall an uneconomic proposition.
12. The Vice-Chairperson said that, during a tour of the building, comments had been made by officers that there would be improvements to make the Shirehall building a more inviting and welcoming space but it seemed that this would not be the case until all of the phases had been completed in 2028/29. The Leader of the Council considered that, until its closure, the building had been an enjoyable space and the new uses would enhance it in a positive way.
13. The Strategic Assets Delivery Director explained that the library would be finished and the rest of the building would be useable, albeit not to the same level of finish initially; it was noted that funds would be sought to create a heritage interpretation space. The Chairperson commented that design work provided related to the Assembly Hall and not to the circulation spaces, such as the entrance and atrium. It was considered that the business case lacked detail about the refurbishment that was required and how this was to be funded.
14. In response to a comment made by a committee member about placing trust in the architects and designers, the Chairperson said that it was the role of the committee

to scrutinise proposals, ask questions, and consider matters that may not have been thought about. In response to comments by another committee member, the Chairperson re-iterated the identified dependency of the project on the refurbishment of the building and the lack of information about the phases.

15. In response to a question about 'softening' of the physical approach to the building, the Strategic Assets Delivery Director commented on the potential use of planters and seating, pedestrianisation of the forecourt, period-appropriate replacement railings, and signage options. It was reported that 'External seating, public space revamp and front of building additions' formed part of Phase 3 (2026/27).
16. Further to paragraph 10 above and in response to questions, the Strategic Assets Delivery Director provided further background on the role of Rose Regeneration.
17. A committee member stressed the importance of achieving best value for money and managing risks, adding that the Maylord Orchards project seemed to have fewer risks given the funding that had been secured.
18. In response to comments made by a committee member about the potential uses of each site, the Vice-Chairperson commented on the need to focus on the best place for the library.
19. The Chairperson drew attention to references to 'Additionality Factor' of 0.65 (committee pages 31, 73, 236, 269 / Cabinet pages 51, 93, 256, 289) and of 0.66 (committee pages 71, 267 / Cabinet pages 91, 287), and to the need to check the value for money assessment calculations (Table 18, committee page 73 / Cabinet page 93). The Leader of the Council advised that clarification would be provided for the Cabinet meeting.
20. A committee member asked for clarification on how the 'Increase in capacity and accessibility to new and improved skills facilities' for Shirehall (committee page 72 / Cabinet page 92) had been reached.
21. The Chairperson said that, aside from the omission of certain costs, a key difference between in the BCR assessments was the inclusion of 'Value of Capital Learning Investment' and 'Value of Development Land' in that for Shirehall and not in that for Maylord Orchards. The Chairperson expressed concerns about the level of understanding about the underlying finances for the Shirehall project, particularly as the costs could be thirteen times the financial value of the building.
22. Some comments were made about the community value of restoring historic buildings and heritage assets.
23. The Chairperson reminded the committee of the decision of Cabinet during the previous administration to place the report on 'The future use and refurbishment of Shirehall' on hold given the costs to refurbish the building and the financial position of the Council (Cabinet [minute 172 of 2022/23](#) refers).

[Note: There was a short adjournment before the next topic]

Financial case

24. The Vice-Chairperson drew attention to: the Library and Learning Centre vision 'To establish a showpiece Library and Learning Centre which brings culture, entertainment, skills and education together into a vibrant cultural hub' (committee page 41 / Cabinet page 61); the income and expenditure forecast for the LLC at Shirehall (Table 23, committee page 77 / Cabinet page 97) which estimated

income for 'Events and Programming (Evening) of £16,478; and the related assumptions for events (committee page 127 / Cabinet page 147) which referenced '30 evening events with a maximum audience of 65. Assumes 18 events @£15 and 12@£10. Figures assume a 65% average audience take up'. The Cabinet Member Community Services and Assets commented on the types of events that could be held. The Vice-Chairperson considered that, given the minimum daily rates for professional performances and the typical margin (around 20%), the revenue projection seemed unrealistic, and it should be reviewed; it was suggested that around 120 events could be needed to get near to the estimated income figure.

25. In response to a question from a committee member about the additional revenue expenditure in relation to 'Building Maintenance' which showed £5,000 for Maylord Orchards and £1,000 for Shirehall (committee page 19 / Cabinet page 39), the Strategic Assets Delivery Director explained that Shirehall was a corporate building and maintenance would be covered by Property Services; the quoted figure related to the library service budget to enable it to maintain library specific elements, such as book shelves. In response to follow-up questions from the Chairperson, it was explained that: Maylord Orchards operated as a trading account and each unit had to pay service charges, so it was not part of the corporate building model; and rents were negotiable for social value uses but this was not the case with the service charges.
26. In response to a question from the Chairperson about the additional revenue expenditure in relation to 'Utilities' which showed £58,000 for Maylord Orchards and £0 for Shirehall, the Strategic Assets Delivery Director advised that no budget existed at present for Maylord Orchards. The Chairperson considered it problematic that revenue expenditure for Shirehall had not been included in relation to Utilities, Insurance and Telephone, and only minimal costs in relation to Cleaning / Refuse. The Leader of the Council commented on the treatment of existing costs that had already been budgeted for and the additional costs associated with the project. Later in the meeting, the Programme Manager anticipated that a replacement boiler and heating system alterations at Shirehall would avert additional utility costs. The Chairperson noted that the Shirehall was not being used currently.
27. The Leader of the Council considered that there needed to be focus on the virtues of putting the library and learning centre into the Shirehall building. The Chairperson said that the business case and this meeting provided opportunities to demonstrate the positives, but questions remained about the details of the full costs and the robustness of the financial case.
28. With reference made to the funding streams table (paragraph 33, committee page 17 / Cabinet page 37) which showed amounts of £2.6m from the Stronger Towns Fund and £0.395m from Herefordshire Council, it was questioned why the total amount of £3.0m for the project was less than that reported to the committee and Cabinet in July 2023; 'The approved capital programme for 2023/34 includes budget of £3.5m for the Maylord Orchards Redevelopment and Learning Resource Centre project funded by £3.0m of Stronger Towns Grant funding and £0.5m use of the capital receipts reserve' (paragraph 34 of the report on ['Review of New Hereford Library and Learning Resource Centre Location'](#)). The Cabinet Member Finance and Corporate Services reported that this was due to the incurred Maylord Orchards project costs of £434k to March 2023, plus £60k top slice, resulting in £494k. The Chairperson noted that these costs of £494k, plus the potential additional costs of cancelling the Maylord Orchards project of £446k, as identified earlier in the meeting (see paragraph 8 above), may result in a total figure of £940k.

29. A committee member commented that, if the expenditure associated with Maylord Orchards would not result in an increase in the value of the asset, the costs may need to be decapitalised and this would result in revenue expense. In view of this, the Chairperson questioned why the full capital budget of £3.5m would not be transferred to the Shirehall project. The Leader of the Council acknowledged the need for clarification on these points. The Chairperson re-iterated a view that the full costs of cancelling the Maylord Orchards project should be included in the BCR for Shirehall.
30. With reference made to the financial drawdown for the Shirehall project (Table 22, committee page 77 / Cabinet page 97), the Chairperson noted that most of the spending would be during the financial year 2025/26 but it was understood that the Stronger Towns Fund deadline was March 2025. The Cabinet Member Finance and Corporate Services said that, as long as there was commitment to spend, the period could be extended to conduct the project. Committee members commented on the potential risks associated with not adhering to the timeframe requirements and with contracting with a builder that may not start work for a period, particularly given the inflationary pressures in the construction sector. The Cabinet Member Finance and Corporate Services reported that central government had recently identified the potential to defray until March 2027.
31. The Chairperson requested clarification in relation to paragraph 37 of the covering report (committee page 19 / Cabinet page 39), which stated 'If the decision is taken to locate the HLLC in Shirehall, there will be a requirement for a longer period of temporary accommodation for the library. This may have an additional revenue implication for the service and options for this are being worked through'. The Corporate Director Community Wellbeing said that no additional revenue budget would be required for keeping the temporary library at Friar Street; other options for temporary accommodation were being explored. The committee was advised that the 'Additional Revenue budget implications' of £390k in 2026/27 (committee page 20 / Cabinet page 40) related to the uplift in staffing required to operate the LLC at Shirehall. The Corporate Director Community Wellbeing accepted that there were implications in terms of the longer use of the temporary library at Friar Street, and commented on increases in footfall and membership in other libraries in the county.
32. In response to a question about refurbishment phases (Table 10, committee page 48 / Cabinet page 68), the Strategic Assets Delivery Director advised that the reference to 'Court reinstatement' in Phase 1 related to ceiling repairs and other remedial works.
33. The Chairperson commented on the need to make the detail available on the Phase 1 refurbishment works and to provide a full breakdown of the £4.2m cost, particularly given the higher estimates provided to Cabinet during the previous administration.

Commercial case

34. In response to a question from a committee member, the Culture and Leisure Lead said that additional roles may be needed to deliver commercial elements at Shirehall. The committee member suggested that commercial or social enterprises may be better placed to maximise commercial opportunities. The Cabinet Member Community Services and Assets indicated that different models could be explored during the development of the project.

35. In response to a question about the income forecast for Sensory Room hire (committee page 82 / Cabinet page 102), the Cabinet Member Community Services and Assets did not consider the 80% usage figure to be unreasonable. The Culture and Leisure Lead advised that this figure had been informed by regional and national benchmarking but acknowledged the need to test this going forward. The Chairperson questioned the inclusion of related income figures in the initial years, particularly given the phasing of the refurbishment works.
36. The Vice-Chairperson re-iterated concerns about the level of anticipated income for paid-for events and programming in the library given professional experience and current market conditions.

Management case

37. With attention was drawn to the Shirehall LLC Risk Register (Table 33, committee page 93 / Cabinet page 113) and the Maylord Orchards LLC Risk Register (committee page 294 / Cabinet page 314), a committee member questioned why the colour coding was not consistent, especially as this gave the impression that the Shirehall had fewer red risks; for example, 'Financial – Project runs over budget due to incorrect assumptions at feasibility' was 8 (amber) for Shirehall but 7 (red) for Maylord Orchards.
38. In response to a question about the accessibility case (committee page 100 / Cabinet page 120), the Strategic Assets Delivery Director outlined the improvements that would be made at the Shirehall site. A committee member commented that, given the floor and mezzanine levels, the ease of movement into and through the building would be experienced differently by individuals depending on their needs. The Strategic Asset Delivery Director said that consideration would be given to the optimal location for different activities within the building. The Cabinet Member Community Services and Assets noted the improvements that would be made to the lift facilities.
39. With reference made to the sentence 'The Shirehall is accessible using public transport (easily walkable from train and bus stations, and with a bus stop right outside)', a committee member commented that a limited number of existing city bus routes stopped at St Peter's Square. The Leader of the Council considered Shirehall to be in a sufficiently central city centre location.
40. The Chairperson commented that pedestrian access to Shirehall had not been addressed in the business case, particularly given the need for people to get across roads that did not have pedestrian crossings near to the building.
41. In response to a question, the Strategic Asset Delivery Director advised that the reference to lighting being 'modernised to LED' (committee page 91 / Cabinet page 111) related to the LLC in the Assembly Hall and Undercroft areas of the Shirehall building only during Phase 1.
42. Further to paragraph 37 above, the Chairperson commented that some of the 'Mitigation' descriptions in the Shirehall LLC Risk Register, such as Risk Number 1 'Specialist contractor requirement / volatile construction market' with the highest risk score of 12, provided explanation of the risk but it was not clear what was being done in mitigation. The Chairperson also questioned the relatively low risk score (4) for both 'Financial – Rise in inflation may result in an increase in costs' and 'Financial – Unforeseen works found during fit-out', and the lack of a key to the table. The Programme Manager reported that the risk register had been developed through workshops with various officers, and that risks would be monitored in accordance with the council's project management process. A

committee member emphasised the importance of effective risk management and expressed concern about the level of confidence that could be taken from the mitigation descriptions. The Programme Manager reported that the costs allowed for 20% contingency and for industry inflation.

43. A committee member suggested that Cabinet should consider the removal of recommendation d), this being 'Subject to recommendation (a) the project to locate the HLLC at Maylord Orchards be terminated' (committee page 10 / Cabinet page 30), on the basis that this would place the Stronger Towns Board in an unreasonable position.
44. With reference made to 'Project Dependencies' (committee page 96 / Cabinet page 116) which included the statement 'The project is wholly dependent on the refurbishment of the Shirehall building...', the Chairperson questioned the absence of a related risk in the Shirehall LLC Risk Register. The Leader of the Council acknowledged that this should be reflected in the risk register.
45. With reference made to the environmental case (committee page 98 / Cabinet page 118), the Chairperson expressed disappointment with the level of ambition to improve the environmental credentials of the Shirehall building, particularly in view of the council's existing commitment to become net zero carbon by 2030. The Cabinet Member Community Services and Assets expressed personal views about the suitability of additional glazing and insulation measures given the historic fabric of the listed building. Later in the meeting, the Chairperson noted that the museum was within a listed building and the redevelopment project was seeking to achieve the EnerPHit standard for energy efficient retrofitting.

At the conclusion of the debate, the Statutory Scrutiny Officer summarised potential outline recommendations to the executive, as identified by committee members during the meeting, and further amendments and additions were suggested by committee members. There was a short recess to enable the committee to refine the wording of the recommendations. The meeting recommenced, further minor amendments were discussed, and the following resolution was then agreed.

Resolved:

That Cabinet consider and respond to these recommendation before making its decision.

- 1. Clarify and include in the Shirehall business case the full costs of cancelling Maylord Orchards, including the implications of decapitalisation on revenue budgets.**
- 2. Publish the full breakdown of the £4.2 million cost of the Phase 1 refurbishment of Shirehall.**
- 3. Publish the estimated costs of phases 2-5 of Shirehall refurbishment.**
- 4. Recalculate the BCR of the Shirehall proposal, to include the cancellation costs of the Maylord Orchards and the £4.2m Phase 1 refurbishment costs required to make the library viable.**
- 5. Include full costs of operating Shirehall in the revenue budget to enable a comparison between both business cases.**
- 6. Ensure that the Shirehall risk matrix include detailed mitigation of listed risks.**

7. **Ensure that the risk relating to the £4.2m additional cost is included in the risk matrix.**
8. **Remove the recommendation to cancel Maylord Orchards project at this stage.**
9. **Clarify anticipated commercial revenue from events.**
10. **Ensure that the business case makes sure that the proposed library is a welcoming space for all users regardless of their accessibility needs.**
11. **Reconsider how the project can maximise carbon reduction e.g. through insulation and glazing in line with the council's net zero commitment.**
12. **Include and identify the cost of measures to improve pedestrian accessibility to the site.**

[Note: The recommendations were submitted for the next meeting of Cabinet, the Cabinet minutes will be available in due course via this link [Cabinet, 26 October 2023](#)].

16. WORK PROGRAMME

The draft work programme for the committee for the remainder of the municipal year 2023/24 was received.

Resolved:

That the work programme for 2023/24 be agreed.

17. DATE OF THE NEXT MEETING

[Wednesday 8 November 2023 10.00 am](#)

The meeting ended at 5.37 pm

Chairperson

