

**Appendix: Summary of recommendations to the executive and executive responses “Review of the Full Business Case for the Shirehall as a location of the future of Hereford City Library”.**

<p>On 23 October 2023 the Connected Communities Scrutiny Committee considered the report “Review of the Full Business Case for the Shirehall as a location of the future of Hereford City Library”. The committee resolved ‘That the following be recommended to the executive:’</p>			
<p><b>Recommendation 1.</b></p>	<p><b>Clarify and include in the Shirehall business case the full costs of cancelling Maylord Orchards, including the implications of decapitalisation on revenue budgets.</b></p>		
<p><b>Executive Response</b></p>	<p>As agreed in the Methodology Paper on the Shirehall full business case (FBC), following the Cabinet decision on 20 July 2023, the FBC was prepared as a standalone report, exploring the potential of the Shirehall on its own merit and to focus solely on the proposed library and learning centre development, acknowledging that this is part of a wider project to bring the whole Shirehall building back into use. It will consider the assembly hall and undercroft spaces and the wider key works required to enable access and operation of these parts of the building only. Estimates for the full capital costs to the Shirehall building will be developed in conjunction with this FBC and provided as contextual information. A standard FBC is used to set out all projects which meet the requirements of the Government’s green boost, therefore the full cost of the Shirehall project were not included in the Shirehall business case. The refurbishment work to the Shirehall is clearly a dependency but the FBC is about placing the library and the learning centre into the allotted space within the Shirehall just as the business case for Maylord Orchards was about placing it, into that allotted space.</p> <p>The full sunk cost of the Maylords Orchard’s project remains confidential at this stage due to the ongoing negotiations with contractors. Whilst there is acknowledgement there will be some cost in respect of Maylord Orchards, this Cabinet takes a strategic view point and that value for money means using resources effectively and efficiently, and safeguarding the Council’s assets in their entirety. Thus, in respect of the sunk costs which are undesirable the right decision will provide us with a world class library.</p> <p>The original £3.5m library budget was funded from £3m from the Stronger Towns fund and £0.5m from Hereford Council capital receipts reserve. However, Stronger Towns top sliced £60k to pay for management costs of the project so that the final award was actually £2,439,633.</p> <p>Therefore, it has been assumed that the future budget of Shirehall Library will be £3.005m and this will be funded from the remaining capital funding - i.e. £3.5m, less £434.3k prior spend and the £60.4k top slice. This funding will support all of the works necessary to open the library service provision.</p>		
<p><b>Recommendation 2.</b></p>	<p><b>Publish the full breakdown of the £4.2 million cost of the Phase 1 refurbishment of Shirehall.</b></p>		
<p><b>Executive Response</b></p>	<p>The full breakdown of the £4.2 million cost of the Phase 1 refurbishment of Shirehall are:</p> <table border="1" data-bbox="360 1469 1563 1511"> <tr> <td>Build Works</td> <td>£2.079m</td> </tr> </table>	Build Works	£2.079m
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	Confirmed that no further level of detail would be provided to prevent weakening the future competitive process.										
<b>Recommendation 3.</b>	<b>Publish the estimated costs of phases 2-5 of Shirehall refurbishment.</b>										
<b>Executive Response</b>	The continued phased refurbishment project of Shirehall does not form part of the Shirehall Full Business Case and has not been agreed. The phase 1 refurbishment work will bring the whole building back into use.										
<b>Recommendation 4.</b>	<b>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.</b>										
<b>Executive Response</b>	<p>All Herefordshire Stronger Towns Fund projects are independently modelled and analysed as part of a Benefit Cost Ratio exercise by Rose Regeneration. This methodology has been considered and agreed by Chamberlain Walker working on behalf of Central Government. To allow a fair comparison with Maylord Orchards, the new Shirehall full business case (FBC) was independently analysed by Rose Regeneration using this same Government model. This is an independent process with no council involvement.</p> <p>The assessment of economic benefits for this Towns Fund scheme has been undertaken in full compliance with the latest HM Treasury Green Book (2020) and relevant Departmental guidance, such as Department of Levelling Up, Housing and Communities (DLUHC). The economic modelling includes a number of monetised benefits, consistent with Government guidance. These included regeneration benefits, social benefit skills, enterprise and tourism (cultural benefits).</p> <p>The additionality factor in the BCR calculation is 66% as stated on page 47 of the FBC. The additionality factor figure of 0.65 in Table 18 was written in error but the calculation has been made using the correct additionality factor of 66%. (It is also noted that this same error exists within the Maylord Orchard FBC).</p> <p>The methodology used in the BCR calculation for Shirehall FBC is wholly consistent with all Towns Fund projects. Rose Regeneration confirmed that no extraneous costs, for example building repair costs or purchase costs, were used in the Maylord Orchards FBC calculation or any of the other 15 Towns Fund projects, so are immaterial to the overall calculation and should <i>not</i> be included.</p> <p>Therefore the Maylords Orchards BCR did not include the cost of £4.147m to purchase the lease for Maylords Orchards and therefore in maintaining a level playing field, Cabinet will be recalculating the BCR.</p>										

<b>Recommendation 5.</b>	<b>Include full costs of operating Shirehall in the revenue budget to enable a comparison between both business cases.</b>
<b>Executive Response</b>	<p>An operational revenue budget currently exists for Shirehall. Whilst it is true to say that the use of the site is limited at this time, some aspects would show very little variance - for example, the main building is currently heated via a single pipe system meaning the heating is either on or off. To ensure that the building does not deteriorate, and in recognition that an area is still manned 24/7, the heating is turned on in line with the normal operational cycle. We would look to see a reduction in future heating costs as part of the decarbonisation works.</p> <p>The revenue budget table set out in the Cabinet report covers Library Service costs associated with the HLLC occupying either site. If all operational costs were to be factored into the Shirehall FBC, then further work would need to be undertaken for both business cases as the FBC's for either location have never included the wider asset costs so in that respect, they are both actually equitable.</p> <p>For clarity, the £42k figure shown in the proposed Service revenue budget to occupy Maylord Orchards is to cover off payment of non-domestic rates. The row heading says 'rent/ rates' and, as Scrutiny pointed out, no rental was intended to be charged if the HLLC occupies Maylord Orchards. However, all operational costs for occupation of Maylord Orchards need to be budgeted for as these are new costs to the Council.</p>
<b>Recommendation 6.</b>	<b>Ensure that the Shirehall risk matrix include detailed mitigation of listed risks.</b>
<b>Executive Response</b>	<p>There is sufficient mitigation in terms of specialist contractor requirements or volatile construction market. It is accepted as a risk but the risk is low. The mitigation is that the project team will work with the Council's commercial services team and appointed contractor consultant to understand the market for such contractors. This is a relatively small area of risk that isn't covered by the everyday works, and large companies (who usually manage such contracts) are aware to look out for in this type of building but this will be covered by the Council's commercial services team.</p>
<b>Recommendation 7.</b>	<b>Ensure that the risk relating to the £4.2m additional cost is included in the risk matrix.</b>
<b>Executive Response</b>	<p>The recommendation is noted and a response will be provided within 2 months.</p>
<b>Recommendation 8.</b>	<b>Remove the recommendation to cancel Maylord Orchards project at this stage</b>
<b>Executive Response</b>	<p>This is accepted by Cabinet and will remove recommendation (d) from the Cabinet report.</p>

<b>Recommendation 9.</b>	<b>Clarify anticipated commercial revenue from events</b>
<b>Executive Response</b>	The recommendation is noted and a response will be provided within 2 months.
<b>Recommendation 10.</b>	<b>Ensure that the business case makes sure that the proposed library is a welcoming space for all users regardless of their accessibility needs.</b>
<b>Executive Response</b>	It is the intention to make any and all of our buildings as accessible as possible. The decoration and internal design would make sure the space that the public will see is welcoming, as we would in any of our public buildings.
<b>Recommendation 11.</b>	<b>Reconsider how the project can maximise carbon reduction e.g. through insulation and glazing in line with the council's net zero commitment.</b>
<b>Executive Response</b>	Where possible we will make sure that our buildings meet all of our commitments. With net zero commitments we do have to realise that some buildings, especially those built over 200 years ago, are in themselves an icon and the extent of their iconic status is because of their quirkiness in regard to glazing and certain aspects of their design that were never intended to be altered to modern requirements. There is no reason to say don't do it, but (in the Cabinet member's opinion) should be minimalistic rather than maximum. Where there are certain things that cannot be done, there lots of other initiatives or alterations to the building that can be made to improve this situation. The building to this Council is unique and iconic, and in the rest of the country there are thousands of such buildings which have been very sympathetically brought into the 21 <sup>st</sup> century and we are sure the Shirehall will fulfil that as well.
<b>Recommendation 12.</b>	<b>Include and identify the cost of measures to improve pedestrian accessibility to the site.</b>
<b>Executive Response</b>	<p>The question regarding access (crossing the road with the bus station in front of the Shirehall) has been addressed within the Hereford Master Plan. Confirmed that pedestrianisation of the area outside the Shirehall would be improved. But these things are not vitally necessary in the first year or two of doing the installation and in the time it takes to make the changes to the Shirehall, pedestrianisation could be one of the things that was finished.</p> <p>Noted that access to the Shirehall via St Peter's Square from High Town was improved following St Owen's Street cycling street works carried out under the previous administration. With the courtesy crossing through and from the island, there are also dropped curbs allowing for northern access to the Shire hall. There have been no injuries or accidents reported in the last 10 years.</p>