

PRIVATE & CONFIDENTIAL

# Executive Summary

## Strategic Review of NRS Estate

NATIONAL RECORDS OF SCOTLAND

30 March 2015

# Executive Summary

DTZ has been appointed to undertake a professional services strategic review of the National Records of Scotland (NRS) Estate. In response to the need to maintain all current and future records in fit-for-purpose archives and keep these records accessible to the people of Scotland, the aim of the review is to improve the occupational efficiency and cost effectiveness of the estate. DTZ addressed NRS's core operational functions broadly defined within three categories; offices, storage and public accessibility.

DTZ's tender response set out an objective methodology, which, through a series of discussions with key NRS leaders, open forums and detailed building inspections was refined. The refined methodology was separated into three key strategic stages as detailed within the table below:

| Create Estate Knowledge  | Develop Options and Appraise  | Review and Report   |
|--|---|---|
| <p><b>Stage 1</b></p> <ul style="list-style-type: none"> <li>• Inception Meeting</li> <li>• Data Review</li> </ul> <p><b>Stage 2</b></p> <ul style="list-style-type: none"> <li>• Estates Review</li> </ul> <p><b>Stage 3</b></p> <ul style="list-style-type: none"> <li>• Space Audit</li> </ul> <p><b>Stage 4</b></p> <ul style="list-style-type: none"> <li>• Workplace Strategy</li> </ul> | <p><b>Stage 5</b></p> <ul style="list-style-type: none"> <li>• Apply the space audit and workplace strategy outputs to the existing estate</li> </ul> <p><b>Stage 6</b></p> <ul style="list-style-type: none"> <li>• Develop options</li> <li>• Shortlist most suitable</li> </ul> <p><b>Stage 7</b></p> <ul style="list-style-type: none"> <li>• Undertake Green Book appraisal</li> </ul> | <p><b>Stage 8</b></p> <ul style="list-style-type: none"> <li>• Publish and review financial outputs</li> </ul> <p><b>Stage 9</b></p> <ul style="list-style-type: none"> <li>• Devise implementation plan</li> </ul> <p><b>Stage 10</b></p> <ul style="list-style-type: none"> <li>• Present plan to NRS and key stakeholders</li> </ul> |

Throughout the different stages DTZ provided opportunities for NRS staff to hear about the review process and methodology and give their views. Meetings were held between NRS's Senior Management Team (SMT) and DTZ to better understand the current estate and to provide updates and clarification throughout the review.

DTZ familiarised itself with NRS's estate and visited all properties to gain a full understanding of each facility, its condition and how it functions for NRS. An overview of each property is given below:-

## General Register House (GRH)

GRH is a Grade A listed building that acts as the principal building for the general public to access material from the national archives and undertake genealogy work. While originally designed as an archive building, it is clear the archive has outgrown its original footprint many times over. The building has been adapted for changing technologies in a highly inefficient manner. As a result GRH struggles to meet best practice in archiving standards and the public search rooms are remote from the majority of the archive material held by NRS.

### **New Register House (NRH)**

NRH (also Grade A listed) acts as the secondary building to GRH for the general public to access material from the national archives and registration services. The building no longer accommodate all the staff and does not meet best practice in archiving standards; specifically around temperature control.

### **Thomas Thomson House (TTH)**

Designed as a modern archive storage and working facility, TTH is the principal archive storage building, It provides high quality storage facilities with ancillary office / specialist workshop accommodation. This is a modern building, purpose built to meet NRS's requirements which did not at the time of building include public access. Very limited public access by appointment only has recently been introduced to allow consultation of records which can neither be transported to GRH or digitised.

### **Ladywell House (LH) – Leased**

LWH acts as NRS's principal office building, housing a majority of the administrative, statistical and corporate functions. LWH is an early 1970s concrete frame building with narrow floorplates. The building has specification limitations reflecting its age. That said LWH meets the current needs of NRS's office-based functions, however the floor space is partially cellular and considered generally inefficient.

### **West Register House (WRH) – Leased**

WRH acts as a city centre repository building, with a small office area to support staff functions. The business space provides a poor working environment and the building struggles to meet best practice in archiving standards.

### **Cairnsmore House (CH) – Leased**

CH is the sole building based out with Edinburgh, in Dumfries. The building has been subject to a significant amount of investment and has a modern temperature controlled environment.

The estate on the whole has been generally well maintained albeit there are areas of identifiable under investment, particularly around ongoing building maintenance.

DTZ undertook a space audit to determine an appropriate accommodation allowance going forward. DTZ comprehensively assessed and reviewed NRS's space requirements, starting with a review of the existing estate analysing both use and quality/intensiveness of use before investigating the optimal space needed taking into account staff numbers and examining best practice. Notional space requirements have been calculated using public sector standards and best practice from the private sector. Areas were calculated as follows:

| <b>Requirement</b>                                      | <b>Public Sector View (Sq M)</b> | <b>Private Sector View (Sq M)</b> |
|---|----------------------------------|-----------------------------------|
| Public utilised space                                   | 1,200                            | 1,200                             |
| Safe Haven (possibility of a mirrored facility)         | 80                               | 80                                |
| Data Hall (Mirror Facilities)                           | 500                              | 500                               |
| Meeting Facilities                                      | 440                              | 528                               |
| Quarantine facility @ TTH                               | 40                               | 40                                |
| Increased Demand to support digitizing/ Digital Storage | 40                               | 40                                |
| Storage (based on an allowance of 9.6 ln m/ 1 sq m)     | 11,450                           | 11,450                            |
| Tenants and third parties                               | 450                              | 450                               |
| Corporate Seating Requirements                          | 6,600                            | 4,400                             |
| <b>Notional Total Space Requirements</b>                | <b>20,800</b>                    | <b>18,688</b>                     |

Following DTZ's assessments of the organisation, the consultation programme and physical building inspections DTZ formulated, and through its interim report (22<sup>nd</sup> September 2014), provided NRS with a series of nine 'workplace strategy' options based on its current and future space needs. These are:

- Option 1 – Status Quo
- Option 2 – Amalgamate offices but retain city centre portfolio
- Option 3 – Consolidate city centre offices and amalgamate offices
- Option 4 – Retain only the public rooms and support within the city centre and consolidate elsewhere
- Option 5 – Relocate public rooms to a fit for purpose space and amalgamate offices
- Option 6 – Complete city centre exit
- Option 7 – Retain CH (cornerstone recommendation to retain CH)
- Option 8 – Retain TTH as a fully environmentally controlled store and provide separate storage facilities for less sensitive records
- Option 9 – Relocation of all functions to a single facility

Of these Options 7 and 8 provide NRS with the opportunity to follow any of the other courses of action and as such need to be chosen in conjunction with another Option. Option 8 was subsequently discounted on the basis that all archive records are equally important/sensitive and require to be held in a fit-for-purpose environment.

Following submission of the interim report to NRS and after consultation with the SMT it was confirmed that two cornerstones proposed by DTZ would be encompassed within any future estate strategy, namely:

1. That Thomas Thomson House (TTH) will remain operational; and
2. That Cairnsmore House (CH) will remain as a separate entity within the operational strategy

NRS debated the positive and negative attributes of each option and undertook a scoring exercise assessing them against an agreed set of criteria encompassing:

- A1 – Meeting current and future needs for expansion and changing working practices and storage methods to achieve archival standards and operational efficiencies.
- A2 – Supporting creation of a cohesive, joined up organisation, with collaboration and interaction between staff, and reducing the number of operational buildings.
- A3 – Improving public accessibility and supporting the principal of "customers first".
- A4 – Improving cost effectiveness, sustainability and energy efficiency.

NRS SMT also discussed the viability of each option with a particular focus on two further considerations, notably in respect of the historic and cultural legacy of its buildings, and secondly the attraction and retention of staff.

On the basis of these discussions, NRS decided that with the exception of Option 1, the following options (with sub options as noted), would form the basis of the shortlist for the HM Treasury Green Book appraisal. The inclusion of Option 1, as the Status Quo, is a requirement of the Green Book process:

- Option 1 – Status Quo.
- Option 3 – Consolidate within the city centre and relocate the offices.
- Option 3A – As option 3 but to retain only one of GRH or NRH.
- Option 6 – To relocate the public rooms to TTH and relocate its office function within the city bypass area.
- Option 6A – As option 6 but to consider office locations out with Edinburgh.

The remainder of the options were discounted for the following reasons:

- Option 9 – Does not fulfil the requirements of retaining TTH or CH.
- Option 5 – The viability of acquiring suitable city centre premises to provide the public rooms was viewed as improbable and uneconomic.
- Options 2 & 4 – Insufficient scoring in terms of meeting NRS’s strategic objectives.

Following further discussions with NRS it became apparent that Option 1 (Status Quo) does not realistically reflect what would really be required should a majority of the existing buildings be retained. With the exception of CH, there would be a need to undertake improvements to each of the buildings so that they would be fit for purpose. In light of this DTZ devised Option 1A; this incorporates estimated costs to undertake an upgrade of the various buildings which are also included within subsequent options where these buildings are to be retained. This allows for a direct and realistic comparison between the real implications of choosing the status quo and any alternative option.

The shortlisted options together with Option 1A have been appraised in accordance with the Green Book. The appraisal was run over a period of 20 years from January 2015. A discount rate of 3.5% per annum has been used in line with the Green Book. Furthermore all other property costs have been included, where appropriate. VAT has been disregarded in accordance with the Green Book guidelines.

The resultant Net Present Value comparisons, and ranking of the options are summarised in the table below:

| <b>Green Book NPV’s Ranked by Cost</b>                      |                       |                |
|---|-----------------------|----------------|
| <b>Option</b>   | <b>NPV Comparison</b> | <b>Ranking</b> |
| Option 1 – Status Quo (Minimal Intervention)                | 100%                  | 1              |
| Option 6A – Out of Town Office                              | 110.59%               | 2              |
| Option 6 – In Town Office                                   | 112.80%               | 3              |
| Option 3A – Retain GRH Only                                 | 119.84%               | 4              |
| Option 3 – Retain GRH & NRH                                 | 120.32%               | 5              |
| Option 1A – Status Quo (Realistic Life Cycle Refurbishment) | 125.37%               | 6              |

Using the outputs from the Green Book analysis along with input from NRS’s scoring exercise a Value for Money assessment was undertaken. The Value for Money approach is effectively a multi-criteria analysis used to include undervalued costs and benefits within a weighting and scoring matrix. This allows for the non cost strategic aims and additional factors NRS considers to be important in setting an estates strategy to be included in its analysis.

In undertaking the exercise, the short-listed options were re-scored against the original criteria outlined (A1-A4) by NRS’s SMT. In addition to the four strategic aims A1-A4 the options were scored against two further considerations, namely:

- C1 – To respect where possible, the historic and cultural legacy of NRS’s buildings, and
- C2 – To assess each option in terms of its attraction and retention of staff.

The following table benchmarks the options in terms of the degree to which the criteria A1-A4 and C1-C2 are met by each option, where the option scoring 100% represents “best fit” in terms of NRS strategic aims and considerations.

| <b>Options Ranked by “Best Fit”</b> |                      |             |
|-------------------------------------|----------------------|-------------|
| <b>Option</b>                       | <b>A/C Benchmark</b> | <b>Rank</b> |
| 6                                   | 100%                 | 1           |
| 6A                                  | 92.41%               | 2           |
| 3A                                  | 92.28%               | 3           |
| 3                                   | 83.73%               | 4           |
| 1                                   | 56.33%               | 5           |
| 1A                                  | 56.33%               | 6           |

To assess the overall Value For Money represented by each of the options, the net present values (financial assessment) generated by the Green Book Appraisal were divided by the A/C benchmark (the qualitative assessment) to provide a “Value For Money” score. This Value For Money therefore represented the incremental “cost” of delivering the equivalent value within each of the options. This approach meant that the options are now ranked as follows:

| <b>Rank</b> | <b>Option</b> | <b>Threshold %</b> |
|-------------|---------------|--------------------|
| 1           | Option 6      | 100%               |
| 2           | Option 6A     | 106%               |
| 3           | Option 3A     | 115%               |
| 4           | Option 3      | 127%               |
| 5           | Option 1      | 157%               |
| 6           | Option 1A     | 197%               |

Given the objective aims of NRS in setting its estate strategy and taking into account the Value For Money calculations, Option 6 constitutes the best value for money property strategy.

Each of the scenarios has been assessed against the drivers for change identified by Scottish Futures Trust, elements of which pertain to the operational effectiveness of NRS as an organisation. In line with the methodology DTZ agreed to undertake a critical success analysis in the strategic estates review, based on the original requirements set out by NRS and the Scottish Futures Trust. Within this options 1 & 1A, 3 & 3A and 6 & 6A were grouped together. On the whole, each group has similar Critical Success factors but overall, Options 6 & 6A would completely deliver compliant storage space and better meet the key drivers over the long term.

DTZ has reflected upon NRS’s key objectives and the Green Book Appraisal together with its sensitivity analysis, Value for Money assessment and critical success factors.

On this basis DTZ recommended that NRS adopt Option 6 as its estates strategy. In essence the estates strategy should encompass a plan to relocate the public rooms to TTH and relocate all office functions to a new office within the city bypass area.