

Report To: Cabinet  
Date of Meeting: Tuesday 16<sup>th</sup> February 2016  
Lead Member: Cllr Hugh Evans  
Report Author: Rebecca Maxwell  
Title: Rhyl Waterfront Development: project update

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**1. What is the report about?**

This report has been prepared to update Cabinet on progress with the Rhyl Waterfront Development project and seek approval to proceed.

**2. What is the reason for making this report?**

In February 2014, Cabinet agreed to adopt a development partner approach to the regeneration of the Coastal Facilities in Rhyl & Prestatyn. Since then, a revitalised Nova Centre opened in Prestatyn in November 2015 and a market test led to the appointment of a preferred Development Partner, Neptune Developments Ltd, for the Rhyl Waterfront area in February 2015.

Work has progressed with Neptune Developments under an Exclusivity Agreement since February 2015 and proposals are now sufficiently developed to move to a more formal development agreement. This report sets out the terms of that agreement and seeks formal approval to proceed.

**3. What are the Recommendations?**

That Cabinet gives approval to enter into the Overarching Regeneration Agreement on the basis of the funding models set out therein; with each element of the regeneration being phased and subject to further approval (whether by Cabinet or via Delegated Decision dependant on the value) to proceed.

That cabinet approve the establishment of a project budget funded by reallocating existing corporate resources.

**4. Report details**

Denbighshire County Council appointed Neptune Developments Limited (NDL) as preferred development partner to assist the Council in renewing the leisure and facilities offer for the coastal strip of Rhyl. We entered into a period of Exclusivity for all Council owned assets along the coast for the period 1<sup>st</sup> February 2015 – 31<sup>st</sup> January 2016. During this period the Council were unable to enter into discussions with any other potentially interested parties for any of the sites or premises within the scope of the Agreement, without the prior agreement of NDL.

The scheme is currently split into five distinct zones along the Rhyl coast:

1. The Cultural & Hospitality Zone - refurbishment of the Pavilion Theatre, construction of new hotel and family pub/restaurant, demolition of the Sun Centre

and potential replacement with a facility to complement the Pavilion (details of which are still under development).

2. The Active Leisure Zone – creation of new commercial outdoor activities in the area between Memorial Garden and the outdoor Events Arena
3. The Family Entertainment Zone – construction of Town Plaza with high quality public realm and restaurant zone, positioned by the existing cinema and around the Sky Tower, which is proposed for refurbishment as a static light beacon. The proposals for this zone also incorporate revisions to the Children’s Village and Underground Car Park areas.
4. The Aquatic Centre – new leisure facility to replace the former Sun Centre, to be located next to the Family Entertainment Zone.
5. The Town Centre – developments to ensure the regenerated Waterfront links appropriately to the Town Centre to ensure footfall flows into this area.

Cumulatively, these proposals will regenerate the Rhyl Waterfront, adding new attractions, consolidating existing ones and introducing missing commercial elements, all of which it is anticipated will significantly increase footfall in Rhyl – both from visitors but importantly also from Rhyl, Denbighshire and wider North Wales residents. The proposals constitute a key element of the next phase of regeneration work in Rhyl.

A two day exhibition was held by Neptune Developments in the White Rose Centre, Rhyl to allow the general public and local businesses an opportunity to view the proposals and provide comment and feedback. The exhibition was relocated to Rhyl One Stop Shop for a further 14 days to provide additional time for all who had an interest in the proposals to view and comment on them. An online presence was also maintained using a bespoke Website and various social media channels. The public response was overwhelmingly positive to the proposals presented.

As the Exclusivity period has now ended and our shared understanding of the proposals are sufficiently well developed, it is now appropriate to move the project to its next stage. A new agreement – in the form of an umbrella Overarching Regeneration Agreement – is recommended.

The Overarching Regeneration Agreement sets out the terms under which the various elements of the regeneration will proceed. It will lead to Phase Agreements being entered into for the elements that make up the overall Regeneration based on the drawdown of individual sites under site specific development agreements. The Development Agreements will be supported by Phase Business Cases, which will set out the financial viability of each phase of development in order to protect the Council’s financial interest and ensure best value. The first phase is anticipated to be the Cultural & Hospitality Zone.

The Overarching Regeneration Agreement includes specific definitions of how appraisals will be developed, how costs will be apportioned for each individual element of work and the basis on which Neptune Developments will be paid. Professional external advice on both the terms of the Agreement and the basis of fees proposed has confirmed that both are reasonable and that the proposed Agreement appropriately protects the Council’s interests. A summary of the key terms of the Agreement is attached at Appendix 1.

An indicative timeline for delivery of the Rhyl Waterfront redevelopment is attached at Appendix 2.

**5. How does the decision contribute to the Corporate Priorities?**

This project will contribute to the priority in the Corporate Plan 2012-17 to 'Develop the Local Economy'. It is also a key element of the Rhyl Regeneration and Economic & Community Ambition strategies.

Rhyl is recognised as a Strategic Regeneration priority within the Welsh Government's Regeneration Framework, Vibrant & Viable Places.

**6. What will it cost and how will it affect other services?**

The overall scheme cost is currently estimated to be between £25-£30m. The developers have previously modelled cost and funding scenarios that could produce a commercially viable scheme. These models however are indicative and contain numerous assumptions and caveats – not least the range of interdependencies within the models and the cross-subsidy between zones that was assumed. More detailed business cases for each element will be required to assess individual viability and the impact to the overall scheme. These will be developed in due course. The total cost of the scheme could be funded by a combination of government grants, private sector investment and some contribution from the council. This could be in a number of forms, such as revenue to support prudential borrowing, a capital contribution, and/or land/asset transfer. The starting point for the financial appraisal of each individual element of the scheme is that they should not increase costs to the Council. As far as possible, officers are working to avoid ongoing revenue contributions being required. There will be the opportunity to scrutinise proposals before any individual phase of works is approved to ensure ongoing affordability is secured.

By developing the sites, a number of existing cost centre budgets would be redundant and this could provide a revenue funding contribution of approximately £376k toward the scheme. That could be converted to funding borrowing of £5.6m. The developer's original models suggested a funding requirement of £3.5m capital and a possible revenue contribution between £212k-£499k though these were based on the indicative assumptions outlined above.

There is still a considerable amount of work to be done and many decisions yet to be taken but at this stage there is an outline plan that potentially offers a financially viable model.

Resources have so far been allocated from existing Project Management and Valuations & Estates resources, with input as and when required from other relevant services. However, as the project is now developing, a more defined resource will be required in 2016/17 to support on-going project management, legal, property and other specialist advice costs. An estimate of the budget required is £70k-£100k and this can be established by reallocating corporate budgets within the current financial year.

Effects on the environment, biodiversity etc will be scrutinised as the project develops and the individual phases are built up.

**7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report**

Individual Equality Impact Assessments will be undertaken at the appropriate stage and with this a more detailed assessment of the specific impact on protected characteristics undertaken.

**8. What consultations have been carried out with Scrutiny and others?**

A variety of departments from across the Authority are heavily involved in the project i.e. Legal, Finance and Property, and Cabinet Briefing have been updated three times in the past nine months. A joint Rhyl Town Council / Member Area Group have been regularly updated and a public consultation was held in December 2015 and a Statement of Community Engagement produced.

The Coastal Facilities Project Board is overseeing development of the project as a whole and has discussed and agreed this recommendation to Cabinet.

**9. Chief Finance Officer Statement**

The latest agreement will ensure that the financial viability of individual elements of the scheme and the impact on the wider development can be fully assessed and understood before approvals are granted. The developers have modelled a potentially viable scheme but there are a significant number of assumptions and interdependencies within the models that may or may not form part of the final project. The steps being taken will help mitigate the council's exposure to financial risk and help ensure that the council obtains the best value for money on any financial contribution made to the project.

A project budget is required going forward and can be funded from within existing corporate resources.

**10. What risks are there and is there anything we can do to reduce them?**

There are no definite proposals in place or commitments to proceed to development at this stage. When these are firmed up a detailed Risk Register will be produced. Currently the Project Team maintains and reviews the Risk Register for the project.

At this stage the risks are mainly reputational as we have consulted with the public, local businesses and Welsh Government on our proposals. If they weren't to transpire it would be detrimental to the reputation of the Council and our preferred developer.

If we did not proceed with our proposals we would continue to have vacant buildings (Sun Centre, Children's Village units etc) along the Rhyl coast that cost the Council over £200k a year.

**11. Power to make the Decision**

Section 2(1) of the 2000 Local Government Act provides that:

*"Every local authority are to have power to do anything which they consider likely to achieve any one or more of the following objects –*

- (a) the promotion or improvement of the economic well-being of their area;*
- (b) the promotion or improvement of the social well-being of their area; and*

(c) *the promotion or improvement of the environmental well-being of their area."*