

STRATEGIC INVESTMENT GROUP

BUSINESS CASE – CAPITAL INVESTMENT

This Business Case provides justification for undertaking a project. The completed form will be reviewed by the Strategic Investment Group who will make a recommendation to Council whether the bid should be approved and included within the Capital Plan. All sections should be completed and evidence of costs will need to be supplied.

For details of Strategic Investment Group meetings and deadlines for the submission of this form, please contact Richard Humphreys, Capital & Technical Finance Team on ext 6144.

Project Name:	Rhyl Underground Car Park Refurbishment and Access Improvements
Project Reference:	
Project Manager:	Russell Vaughan
Workstream:	Rhyl Regeneration Programme – Tourism & Visitors Work Stream

Head of Service/Project Sponsor	Jamie Groves	Lead member:	Councillor Hugh Evans OBE
Service:	Facilities, Assets & Housing	LM Portfolio:	Economy & Corporate Governance
Form completed by:	Mark Dixon	Date:	
Service Accountant:		Date:	

PROJECT TYPE

*Please categorise your project type. Mark **one** box only.*

SMALL <input type="checkbox"/>	MEDIUM <input checked="" type="checkbox"/>	LARGE <input type="checkbox"/>
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DECISION SOUGHT FROM SIG:	Approval to prudentially borrow £1.126m and to allocate £1m of Town Centre Loan funding to refurbish and improve access to the underground car park in Rhyl.
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EXECUTIVE SUMMARY

Highlights the key points in the Business Case to include:-

- What the project will achieve/important benefits
- Estimated costs
- How the project will be funded

Context

The current regeneration programme for Rhyl was approved by Cabinet in March 2016. It comprises three work streams including one which aims to increase the numbers of tourist and visitors who come to Rhyl and the amount they spend in the resort. This particular work stream includes a project which will enhance the visitor facilities on the resort's water front. The project involves splitting the water front into a number of zones intended to accommodate complementary facilities which address specific market segments. The Family Entertainment Zone which is adjacent to the town centre includes a major investment in a new aqua park and the development of new food and beverage outlets in the immediate vicinity.

There is also a specific work stream in the programme for the town centre which includes a project to develop a master plan to guide its future development. Initial analysis has identified difficulties in accessing the town centre by car as being a barrier to its future success.

Background

There is a large car park in the heart of the Family Entertainment Zone which although fully enclosed and described as being "underground" is actually located at ground level. Its potential to contribute towards the future success of both the Family Entertainment Zone and the town centre is compromised because;

- it is poorly used with the occupancy levels out of season being generally at around 5% of its capacity;
- pedestrian accesses are poorly sited and involve climbing and descending two sets of stairs to reach the exterior;
- the gradient of the ramp access for users of wheelchairs and mobility scooters and for families with buggies is very steep;
- there is no roof above the western pedestrian access which is closest to the site of the new aqua park and where the only ramp is located and this access becomes impassable when it rains due to ponding and when it is frosty due to ice formation;
- the environment is threatening as the space is dimly lit and enclosed and attracts anti-social behaviour due to the low usage; and
- the ventilation and fire detection and suppression systems are out-dated which has rendered 50% of the car park unusable.

Proposal

The recommended option is to refurbish the car park but with betterment.

The project would involve;

- creating new pedestrian accesses by breaking through the external walls of the car park;
- including ramp accesses at both new locations which are suitably graded for comfortable uses by wheel chairs, mobility scooters and buggies;
- installing a canopy over the western pedestrian access;
- installing contemporary lighting; and
- renewing the ventilation and fire detection and suppression system.

Achievements

The achievements of the project would be;

- the creation of direct access routes to the new aqua park and food and beverage outlets on the south western elevation, and to the town centre on the south eastern elevation
- the provision of ramp accesses which are suitably graded for comfortable use by wheel chairs, mobility scooters and buggies;
- enabling the existing western access to be used in all weather conditions;
- encouraging users to feel more confident about their security through a brighter environment; and
- enabling the whole car park to be brought back into use at its full capacity through improvements to mechanical and electrical systems.

Benefits

The benefits arising from the project would be;

- an improvement in the experience of visitors to the new attractions on the resort's water front through the restoration of car parking capacity in the immediate vicinity which can be easily accessed by all users in all weathers;
- an improvement in the perception of the security offered by the facility;
- an improvement in the vitality of the town centre through the footfall generated by the new access facing the town centre;
- reduced carbon emissions from more efficient mechanical and electrical equipment; and
- increased income achieved through greater usage of the facility.

Cost

The cost of the project is £2,125,986.

Funding Proposal

It is proposed that the capital investment would be funded using a mix of Prudential Borrowing and Welsh Government Town Centre Loan funding. The finance required to pay back the borrowing would be generated through the additional usage that is anticipated as an outcome of the project.

It is proposed that £1.126m of the initial cost would be funded through Prudential Borrowing and £1m through Town Centre Loan funding.

The annual cost of Prudential Borrowing based on December 2018 estimated rates of interest for the first 25 years would be;

- £59,920 per annum at 2.65%.

The cost of recycling the Town Centre Loan after 5 years would be;

- £1,000,000.

The annual cost of Prudential Borrowing based on September 2023 estimated rates of interest to repay the Town Centre Loan for years 6-30 would be;

- £56,300 per annum at 3.26%.

In years 6-25 following completion, to cover these repayments, the increase in income would therefore need to be at least;

- £59,920 per annum for the initial Prudential Borrowing of £1.126m; and
- £56,300 per annum for the Prudential Borrowing required to recycle the Town Centre Loan;
- which is a total of £116,220 per annum.

The net income obtained from all the car parks surrounding the Nova before its re-opening was;

- £55,714 in 2014/15.

Following its re-opening, the net income increased;

- by £45,844 to £101,558 in 2016/17.

This was a consequence in the increase in annual visitor numbers of;

- 129,160 (Source: Just Solutions)

The projected annual visitor figure for the aqua park alone is;

- 229,286 (Source: Old Bell 3)

This is $\frac{229,286}{129,160} = 1.775$ times as big as the Nova.

The net income obtained from the underground and sky tower car parks was;

- £267,908 in 2016/17.

So if the annual income were to similarly increase by a factor of 1.775 times following the opening of the aqua park alone, it would increase by a sum of;

- £207,628 to £475,536.

This increase of £207,628 is more than enough to fund the annual cost of Prudential Borrowing of £116,220 during years 6 to 25 following completion, and the lower cost of £56,300 per annum for years 26 to 30.

This is actually a conservative projection of the increase in income which can be achieved from the adjacent car park as it only takes account of the direct result of the investment in the new aqua park makes no provision for the additional impact of the new food and beverage outlets.

BUSINESS OPTIONS

Analysis and reasoned recommendation for the base business options of: do nothing / do the minimal or do something

Option title:		Do nothing			
Please provide brief details:					
Do not carry out any works					
Please mark with an X how this option compares with the preferred option in terms of Cost, Time, Quality and Benefits:					
Costs	Costs more		Time	Takes longer to deliver	
	Costs the same			Takes the same to deliver	
	Costs less	X		Is quicker to deliver	X
Quality	Improves the quality		Benefits	Improves benefits	
	Is the same quality			No impact on benefits	
	Is a lower quality	X		Worsens benefits	X
What is the main reason this option has not been selected?					
Car park continues to operate at 50% capacity providing a poor experience to visitors to the new aqua park with poor pedestrian access and a threatening environment					
Option title:		Repair defects with no betterment			
Please provide brief details:					
Repair ventilation and fire detection and suppression systems					
Please mark with an X how this option compares with the preferred option in terms of Cost, Time, Quality and Benefits:					
Costs	Costs more		Time	Takes longer to deliver	
	Costs the same			Takes the same to deliver	X
	Costs less	X		Is quicker to deliver	
Quality	Improves the quality		Benefits	Improves benefits	
	Is the same quality			No impact on benefits	
	Is a lower quality	X		Worsens benefits	X
What is the main reason this option has not been selected?					
Whilst this option would at least return the car park to its full operating capacity, the visitor experience would remain poor with difficult access and a threatening environment, and the opportunity to provide a connection to the town centre to improve town centre footfall and vitality would be lost.					

EXPECTED BENEFITS

The benefits that the project will deliver expressed in measurable terms against the situation as it exists prior to the project

<p>Current situation</p> <p>Proportion of parking spaces available for use: 50%</p> <p>Income from usage: £267,908</p> <p>Situation following the completion of the project</p> <p>Proportion of parking spaces available for use: 100%</p> <p>Income from usage: £475,536</p>
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EXPECTED DIS-BENEFITS

Outcomes perceived as negative by one or more stakeholders

None

TIMESCALE

Over which the project will run (summary of the Project Plan) and the period over which the benefits will be realised

Date	Milestone
September 2017	Presentation & report to Strategic Investment Group for approval to progress to next Stage.
December 2017	Ion Developments to finalise detailed design stage and confirm final costs – value engineering if required
April 2018	Mobilisation and start on site
December 2018	Project Completion and opening

CAPITAL COSTS – BUSINESS DEVELOPMENT PROJECTS

**COMPLETE ALL THREE TABLES BELOW FOR BUSINESS DEVELOPMENT PROJECTS
LEAVE BLANK/DELETE SECTION FOR CONSTRUCTION PROJECTS**

The capital cost of a project is an important consideration in terms of whether or not it should proceed. Note that even some Business Development Projects may have a requirement for capital costs, for example to fund the acquisition of new ICT hardware or undertaking alterations to buildings.

- Any costs relating to ICT infrastructure and equipment should have been provided by ICT department.
- Any costs that relate to construction should have been provided by Design & Development or Building Services.

Please provide details of any capital funding that has already been spent on the project:	
Enter details of cost element below:	Total
Feasibility (surveys, market research, etc)	
Client side project management	
TOTAL	

Please provide details of the capital funding requirement (not including amount already spent):				
Enter details of cost element below:	2017/18	2018/19	Future Years	All Years Total
Feasibility (surveys, market research, etc)				
Client side project management				
ICT infrastructure and hardware				
Building alterations				
Design Team Fees (architects, QS, etc)				
Furniture				
Other professional support (legal, etc)				
Marketing/Consultation				
External Project Support (gateway review, etc)				
TOTAL				

Please provide details of proposed capital funding sources					
Enter details of funding source	Status:	2017/18	2018/19	Future Years	TOTAL
TOTAL					

NOTE: For funding status, please only use the following categories:

Approved –written approval for the funding exists

Applied – no written approval exists but an application has been made

Approached – initial approach to or by funding body has been made but no application submitted

None – no contact or approach has been made to or by the funding body

CAPITAL COSTS – CONSTRUCTION PROJECTS

COMPLETE ALL THREE TABLES BELOW FOR CONSTRUCTION PROJECTS

LEAVE BLANK/DELETE SECTION FOR BUSINESS DEVELOPMENT PROJECTS

The capital cost of a project is an important consideration in terms of whether or not it should proceed.

- Any costs relating to ICT infrastructure and equipment should have been provided by ICT department.
- Any costs that relate to construction should have been provided by Design & Development or Building Services.

Please provide details of any capital funding that has already been spent on the project:	
Enter details of cost element below:	Total
Feasibility (surveys, market research, etc)	
Client side project management	
OTHER (please enter)	
OTHER (please enter)	
TOTAL	

Please provide details of the capital funding requirement (not including amount already spent):				
Enter details of cost element below:	2017/18	2018/19	Future Years	All Years Total
Feasibility (surveys, market research, etc)				
Client side project management				
Land/property acquisition				
Land preparation/remediation				
Demolition and/or site security				
Construction, refurbishment or maintenance	£1,525,618			£1,525,618
BREEAM rating of "Excellent"				
Security measures (CCTV, door entry, etc)				
Fire prevention measures (sprinklers, etc)				
External landscaping and other works				
Land/property acquisition				
Highways work				
ICT infrastructure and hardware				
Fixtures & fittings				
Furniture				
Planning/Building Regulation Costs				
Design Team Fees (architects, QS, etc)	£251,727			£251,727
Legal Costs and Fees				
Marketing/Consultation				
External Project Support (eg gateway review)				
Contingency	£152,562			£152,562
Project Management				
Professional fees	£196,079			£196,079
TOTAL	£2,125,986			£2,125,986

Please provide details of proposed capital funding sources					
Enter details of funding source	Status:	2017/18	2018/19	Future Years	TOTAL
Prudential Borrowing*	Applied	£1,125,196		£1,000,000	£2,125,196
Town Centre Loans	Secured	£1,000,000		-£1,000,000	0
TOTAL		£2,125,986			£2,125,986

*anticipated that PB payback will begin in April 2018

REVENUE COST IMPACT

TO BE COMPLETED FOR ALL PROJECTS

In considering whether a project should be developed due regard should be made to the potential impact on revenue budgets.

If the activity will result in a requirement for additional revenue funding, please provide details below:			
What is the impact of this project in terms of the <u>annual</u> revenue requirement for:	Existing Revenue Budget	Post-project Revenue Budget	Increase/Decrease
staff costs (salaries and associated)	N/A		
energy costs (heating, lighting, ICT, etc)	N/A		
property maintenance and servicing costs	N/A		
other property related costs (rental, insurance, etc)	N/A		
ongoing ICT costs (licences, etc)	N/A		
mileage of Denbighshire fleet vehicles	N/A		
mileage for business travel by Denbighshire employees using their personal vehicles	N/A		
OTHER (Income)			
OTHER (Prudential Borrowing)	N/A		
OTHER (Town Centre Loan)	N/A		
OVERALL REVENUE REQUIREMENT	N/A		

Please provide brief details of the revenue impact of this project:

Where revenue savings are forecast, you should detail what is proposed for the saving (e.g. reduction of an existing revenue budget, re-allocation of revenue to alternative services area, etc)

- *Details of any one-off revenue cost requirements that may be required post-project implementation (e.g. recruitment, redundancies, etc). DO NOT include any costs detailed in the capital section of this Business Case*

There would be a minor decrease in utility costs associated as the facility will benefit from state of the art LED lighting and ventilation.

It is anticipated that any use of Prudential Borrowing and Town Centre Loan funding approved will be repaid through increased usage as detailed in the Executive Summary.

PROJECT MANAGEMENT

Please provide details of proposed project management – Establishment of Project Board etc

The Project would be managed by our development partner Ion Developments Ltd. They will report directly to the County Council's own Project Manager who will provide regular reports directly to Head of Service for Facilities, Assets & Housing.

STATUTORY REQUIREMENTS / HEALTH & SAFETY

This section should identify how the activity will help Denbighshire meet any of its statutory requirements. Please include any Health & Safety Issues that the activity will address in this section. Please leave blank if not applicable.

The Council's Corporate Health & Safety Manager carried out a risk assessment of the car park in October 2016 and recommended that it should be permitted to operate at no more than 50% of its potential capacity until defects in the ventilation and fire detection and suppression systems had been rectified.

This project will help meet the County Council meet its statutory requirements under the Management of Health & Safety at Work regulations 1999, Health & Safety at Work Act 1974, Workplace (Health, Safety & Welfare) Regulations 1992 by renewing the ventilation and fire detection and suppression systems and enabling the car park to return to operation at full capacity.

CARBON MANAGEMENT IMPACT

Please consult with Denbighshire's Principal Energy Manager before completing this section.

Denbighshire has committed to reducing its carbon emissions by 33% by 2020. The Business Case requires you to make a forecast for the anticipated carbon emissions impact of the project. Please mark a cross in the appropriate box.

Forecasts:	Annual (current)	Carbon Equivalent	Annual (Post Project)	Carbon Equivalent	Carbon Variance
Energy consumption: (UNIT = kWh)	143,537				
Mileage of Denbighshire Fleet vehicles: (UNIT = miles travelled)					
Tonnes of waste produced going to landfill: (UNIT = tonnes)					
Tonnes of waste produced being recycled: (UNIT = tonnes)					
Mileage of Business Travel (personal vehicles): (UNIT = miles travelled)					
TOTAL CARBON EMISSIONS					

Please provide brief details of the carbon impact of this project, and detail specific actions that will be taken to reduce carbon emissions. If carbon emissions are expected to increase as a result of this project, please provide details of proposed actions to compensate for this increase in other areas of the Service's activity.

The proposals would reduce the County Council's carbon emissions through improvements to the efficiency of the mechanical and electrical equipment in the car park and the reduced energy requirement to power the ventilation equipment arising from the improved circulation of air from the creation of a new entrance on the south western elevation of the building.

BIODIVERSITY IMPACT

Please consult with Denbighshire's Biodiversity Officer before completing this section:

kate.taylor@denbighshire.gov.uk

The Council has a statutory duty to ensure compliance and enforcement of the habitats regulations (as amended in 2007) and the NERC Biodiversity Duty (2006). At this pre-feasibility stage, what is the anticipated impact on biodiversity of the project. Please mark a cross in the appropriate box.

Will this project impact on a habitat that supports living organisms (plant or animal)?	Yes		No	X
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If you have answered yes to the above question, please complete all the following biodiversity sections. If answered no please leave blank

THREATENED/PROTECTED SPECIES Will this project impact on any protected or threatened species as defined in Denbighshire's Local Biodiversity Action Plan (LBAP)?	Yes		No	X
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ALL SPECIES (including threatened/protected) Forecasts:	Current number	Post-project number	Variance (+/-)
Number of plant species present:	0	0	0
Number of animal species present:	0	0	0
TOTAL NUMBER OF SPECIES PRESENT	0	0	0

Please provide brief details of the action you will be taking in association with this project to protect or enhance biodiversity. Specific reference should be made to the mitigation strategy if the project impacts on any protected or threatened species as defined in Denbighshire's Local Biodiversity Action Plan (LBAP).

N/A

MAJOR RISKS TO THE PROJECT

A summary of the key risks associated with the project together with the likely impact and plans should they occur (*Please also add to your project risk register*)

Key Risk	Likely Impact	Mitigating Action
Failure to secure funding to enable to commence in be completed by ?? 2018	Inadequate car parking and poor experience for visitors to new aqua park	Secure approval for Prudential Borrowing and use of Town Centre Loan funding by quarter 4 of 2017 to enable procurement of works to commence in quarter 1 of 2018
Failure to generate sufficient additional income	An inability to pay back the Prudential Borrowing and recycle the Town Centre Loan funding	Projections of additional visitor numbers generated by the adjacent aqua park development

SUPPORTING INFORMATION

Please list any supporting documents that accompany this Business Case

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VERIFICATION:

Project Manager:	Project Manager - Russell Vaughan		
Project Sponsor:	Jamie Groves - Head of Facilities, Assets & Housing.		
Name:	Jamie Groves	Position:	Head of Facilities, Assets & Housing
Signature:		Date:	19.10.2017

For use by Finance:

Result of S.I.G. Review	
Date of Meeting	
Approval	
Code	