

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:	Welsh Government Targeted Regeneration Investment Programme West Rhyl Housing Project Phase I
Project Reference:	
Project Manager:	Mark Dixon
Workstream:	Young People & Housing/Rhyl Regeneration

Project Executive	Jamie Groves	Lead member:	Cllr Tony Thomas
Service:	Facilities, Assets & Housing	LM Portfolio:	Housing, Regulation & the Environment
Form completed by:	Mark Dixon	Date:	18/12/2018
Service Accountant:		Date:	

PROJECT TYPE

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

SMALL		MEDIUM	X	LARGE	
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DECISION SOUGHT FROM SIG:	To accept the offer of grant funding from Welsh Government
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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

Background

With the advent of cheap package holidays to the guaranteed sunshine of the Mediterranean, Rhyl's fortunes as a traditional seaside resort started to wane. The large Victorian guest houses in the streets behind the seafront fell into use as Houses in Multiple Occupation offering cheap year round accommodation which was affordable for people existing solely on social welfare payments. The consequence of so many vulnerable individuals living in a few densely developed streets led to the identification of the area as the most deprived in Wales. With widespread community support, Denbighshire County Council adopted Supplementary Planning Guidance for the area with the aim of turning it from a place where people were forced to live through their circumstances to one where people would choose to set up their homes. Achieving this aim has involved a massive programme of property acquisition and clearance supported by the Welsh Government with "Centrally Retained Capital" funding, the resettlement of residents, the creation of a central green space known as "Gerddi Heulwen" and the development of new homes with a choice of tenures by a range of partners.

Whilst this has been one of the most successful regeneration projects in Wales and much progress has been made, there remain a number of key properties in the area which have yet to be improved. They have always featured in the regeneration plans for the area but there has hitherto been no opportunity or resource available to complete these improvements. With the launch of the new Targeted Regeneration Investment Programme by Welsh Government, an opportunity has arisen to access Welsh Government funds to address those remaining properties.

Cabinet agreed at its meeting on 22nd May 2018 to approve inter alia;

- the outline projects proposed for submission by the Council to the Targeted Regeneration Investment; and
- delegated authority for the Corporate Director, Economy and Public Realm in consultation with the Lead Member for the Economy and Corporate Governance, Head of Legal, HR and Democratic Services and Head of Finance (Section 151 Officer) to make any project funding applications necessary to secure resources from the Targeted Regeneration Investment programme for the period of its operation, and accept and undertaken expenditure on projects accessing Targeted Regeneration Investment programme support, including award of grants to third parties.

The project will be delivered in two phases and this application relates to the first phase.

Project description

The first phase of the project involves the acquisition, clearance and redevelopment of properties accessed from Aquarium Street and John Street by Denbighshire County Council, and the renovation of properties already in the ownership of Pennaf Housing Group at 1 Crescent Road and 45/47 Water Street.

Aquarium Street

As part of the previous regeneration activity in the area, Welsh Government had acquired a terrace of large Victorian houses which had fallen into use as Houses in Multiple Occupation comprising small, poor quality flats. The Council has recently completed the acquisition of the terrace to enable the houses to be converted into eight individual energy efficient, affordable family homes for owner occupation with a smaller internal floor area. This will further the objectives of the West Rhyl Supplementary Planning Guidance through the removal of poor quality housing and diversifying the mix of tenures in the area. The redevelopment would be blighted by the continued presence of a poor quality residential property at the rear of 42 Abbey Street and the project also involves the acquisition and demolition of this property.

John Street

Welsh Government had also acquired and cleared properties on an adjacent block accessed from John Street. The Council has recently completed the purchase of the site and has agreed terms for the purchase of a nearby commercial unit which was previously occupied by Kerbside Motors and which has been the focus of anti-social and criminal activity. This will make the area suitable for older residents and enable the development of fifteen accessible apartments for social rent.

1 Crescent Road

Marine Villa at 1 Crescent Road has been in Pennaf's ownership for many years. It was originally used as office accommodation and later converted into a night shelter in partnership with the County Council. In recent years, the night shelter was relocated to another part of the town. The proposal is to create three attractive and newly refurbished apartments for the over 55's. The building is Grade II listed and as a consequence there is a requirement to protect internal and external characteristics which involves abnormal costs.

45-47 Water Street

These premises were acquired by Pennaf Group at the direction of Welsh Government with funding through the former North Wales Coast Strategic Regeneration Area. Prior to their acquisition, the properties were being utilized for various illicit activities which were adding to the area's social issues. The intention was to include their conversion into six apartments in the later phases of the regeneration programme for the area. One of the buildings is Listed and both are located in the Conservation Area.

The need to protect internal and external characteristics of these properties involves abnormal costs.

Benefits

The key benefits will be;

- the provision of homes which respond to the challenges of an ageing population;
- more economically active residents being attracted to live in the area through the provision of homes for owner occupation;
- a reduction in carbon emissions through the construction of homes offering higher standards of energy efficiency;
- an improvement in the attractiveness of the area through the improvement of derelict properties from four locations;
- improved community safety; and
- increased footfall in the town centre as a result of the new residents who will come to live in the area, improving the viability of town centre businesses and contributing towards the delivery of the objectives of the Rhyl Town Centre Master Plan.

Estimated costs

The estimated costs of each of the developments are as follows.

Property	Estimated cost
Aquarium Street	£1,511,000
John Street	£1,879,000
Crescent Road	£398,000
Water Street	£851,000
Total	£4,639,000

Funding

The proposed sources of funding for the project are as follows.

Source	Amount
Denbighshire Housing Revenue Account	£3,090,000
Welsh Government TRIP grant	£1,024,000
Pennaf private finance	£525,000
Total	£4,639,000

The Council's match funding is sourced from projects already included in the Housing Development Programme.

The second phase of the project would involve the redevelopment of the poor quality properties on the eastern side of Edward Henry Street and would be the subject of a separate grant application in due course.

BUSINESS OPTIONS

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

Option title:		Do nothing – maintain the existing situation / Do minimum			
Please provide brief details:					
<p>This option would involve;</p> <ul style="list-style-type: none"> leaving the properties at 1 Crescent Road and 45/47 Water Street vacant; and not acquiring and improving the eyesore properties in Aquarium Street and John Street. 					
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?					
<p>This option has not been pursued because;</p> <ul style="list-style-type: none"> the properties at 1 Crescent Road and 43/45 Water Street would remain vacant and would make no contribution to regeneration of the town; and the properties in Aquarium Street and John Street would continue to be eyesores and would discourage owner occupation in the area around Gerddi Heulwen. 					
Option title:		Minimum option			
Please provide brief details:					
<p>This option would involve;</p> <ul style="list-style-type: none"> renovating the properties at 1 Crescent Road and 45/47 Water Street; and acquiring and securing the eyesore properties in Aquarium Street and John Street but not undertaking any redevelopment 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?					
<p>This option has not been pursued because;</p> <ul style="list-style-type: none"> whilst the properties at 1 Crescent Road and 45/47 Water Street would be returned to productive use providing much needed affordable homes and contributing to the regeneration of the town; and whilst the properties in Aquarium Street and John Street would no longer be eyesores discouraging owner occupation in the area around Gerddi Heulwen, they would not be being used for any productive purpose and would not be making any contribution towards improving the vitality of the town, and the opportunity to provide much needed homes 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

The benefits expressed in measurable terms are;

- 24 social rented homes delivered;
- 8 intermediate homes delivered; and
- a reduction of 98 tonnes of carbon emissions per annum.

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
24th August 2018	Full support of Regional Group
31 st December 2018	Award of development funding to the County Council by Welsh Government
7th January 2019	Making a start on the works to renovate Marine Villa at 1 Crescent Road
7th January 2019	Making a start on the works to renovate 45-47 Water Street
29th March 2019	Completion of the acquisition properties in Aquarium Street and John Street
1st October 2019	Making a start on renovating the properties in Aquarium Street
31st March 2020	Completion of the works to renovate Marine Villa at 1 Crescent Road;
31st March 2020	Completion of the works to renovate 45-47 Water Street;
1st April 2020	Making a start on the construction of new apartments in John Street
30th June 2020	Completion of the works to renovate the terrace in Aquarium Stree
31st March 2021	Completion of the construction of new apartments in John Street

CAPITAL COSTS – CONSTRUCTION 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 the capital funding requirement (not including amount already spent):				
Enter details of cost element below:	2018/19	2019/20	Future Years	All Years Total
Land/property acquisition	410,000	60,000		470,000
Professional Fees	68,000	210,000	85,000	363,000
Site Preparation		45,000		45,000
Contract Works	331,500	984,500	2,445,000	3,761,000
TOTAL	809,500	1,299,500	2,530,000	4,639,000

Please provide details of proposed capital funding sources					
Enter details of funding source	Status:	2018/19	2019/20	Future Years	TOTAL
Housing Revenue Account	Approved	300,000	260,000	2,530,000	3,090,000
Welsh Government	In principle	509,500	514,500		1,024,000
Pennaf	Approved		525,000		525,000
TOTAL		809,500	1,299,500	2,530,000	4,639,000

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		
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)*
- *Where revenue increases are forecast, you should provide details of how the revenue shortfall will be addressed. In this instance you should also append a three year surplus/deficit forecast.*
- *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 is no revenue requirement for the project either during the redevelopment phase or following completion.

PROJECT MANAGEMENT

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

The project will be managed by the Programme Manager - Housing Development.

The project executive will be the Head of Facilities, Assets & Housing.

A Housing Programme Executive Group has already been established and will act as the board for the project.

Highlight reports will be provided to the Young People & Housing Programme Board and the Rhyl Regeneration Programme Executive Group.

Fortnightly catch-up meetings are scheduled with Welsh Government officials.

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 project will result in the removal of derelict buildings and prevent them becoming dangerous structures.

CARBON MANAGEMENT IMPACT

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

Denbighshire has committed to reducing its carbon emissions by 15% 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)					
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		132		34	-98

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 project will involve the replacement of inefficient buildings with energy efficient buildings with a smaller volume and will lead to reduction in carbon emission.

BIODIVERSITY IMPACT

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

joel.walley@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	
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ALL SPECIES (including threatened/protected) Forecasts:	Current number	Post-project number	Variance (+/-)
Number of plant species present:			
Number of animal species present:			
TOTAL NUMBER OF SPECIES PRESENT			

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).

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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
Inability to acquire the properties required		Properties already owned or terms agreed for purchase
Inability to obtain statutory consents		Proposals consistent with Supplementary Planning Guidance and discussed with Conservation
Cost over run		Estimates based on BCIS data and recent tenders
Failure to complete within timescale		Construction programme based upon previous experience with similar projects
Inability to secure tenants		Property specifications meet needs of households on single housing register in terms of size and location

SUPPORTING INFORMATION

Please list any supporting documents that accompany this Business Case

Appendix - Site Images

ANNUAL CAPITAL BIDS – BLOCK ALLOCATIONS

Please provide details of expenditure and commitments for allocations received in the current financial year.

Not applicable

COUNTY LANDLORD STATEMENT

Please provide a statement from the County Landlord and where applicable the recommendation of the Asset Management Group

The bid is supported.

The principle of regeneration of the area is well established and the proposals support this in terms of complementing works already complete and strategically aligned to further proposals within the area. The removal of eyesore sites/buildings and provision of affordable homes are two key priorities for the Council. The partnership approach with other housing providers adopted ensures consistency in delivering common aims and maximises investment benefits.

The contribution from the Housing Revenue Account is included within Housing's 30 year business plan.

Supplied by: David Lorey

Date: 14th December 2018


CHIEF FINANCE OFFICER STATEMENT

Elements of this proposal have previously been approved by SIG. The funding for the total proposal is in place – the council's element being HRA funding which is built into the HRA business plan assumptions. The development of the properties will contribute to the council's corporate plan objectives in respect of provision of affordable housing.

Supplied by: Richard Weigh

Date: 22 February 2018

VERIFICATION:

Project Manager:	Mark Dixon		
Project Executive:	Jamie Groves		
Name:	Jamie Groves	Position:	Head of Facilities, Assets & Housing
Signature:		Date:	11 th December 2018

For use by Finance:

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

Site Images

Aquarium Street



John Street



1 Crescent Road



45/47 Water Street

