

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:	The Dell Apartments, Prestatyn
Project Reference:	
Project Manager:	Mark Dixon
Workstream:	Young People & Housing

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:	30/04/2019
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:	To recommend the construction of apartments at The Dell in Prestatyn to Cabinet for approval
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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

The Single Housing Register for Denbighshire has identified Prestatyn as having the second highest unmet need for social housing in the county. The requirement for smaller accessible apartments to meet the needs of an ageing population is particularly strong and the current supply of this type of accommodation in the town is very limited.

The supply of suitable sites for residential development in the town is constrained because of;

- the limited allocation of greenfield land for this purpose in the Local Development Plan;
- the lack of brownfield sites for redevelopment; and
- the inclusion of large areas in the TAN15 Development Advice Zone for Coastal Flood Risk.

An area of land off The Dell in Prestatyn shaded in red on the plan in Appendix 1 was identified as potentially being suitable for development because;

- it was already owned by the Council;
- it is within the settlement boundary and not allocated for any specific purpose in the Local Development Plan;
- it is outside the TAN15 Development Advice Zone for Coastal Flood Risk;
- it is close to town centre services; and
- the Countryside service had advised that the habitat on the site was of poor quality and its loss would be of no consequence.

In August 2017, a decision was taken by the Head of Facilities, Assets & Housing to purchase a property at 1 The Dell which could provide direct access to the site from the highway. This decision was subject to a business case being submitted to the Strategic Investment Group for the proposed use of the site once full details were available.

On 12th December 2018, the Planning Committee approved an application for the development of 15 apartments on the site.

Project description

The project involves;

- the demolition of the bungalow at 1 The Dell; and
- the construction of a three storey apartments building comprising 15 apartments for social rent with 5 units for wheelchair users on the ground floor and a total of 10 accessible units on the upper storeys.

The site is constrained and savings can be achieved on the price of the construction contract if a site compound can be secured for use by the contractor whilst the works are taking place. An adjacent area of open space shaded in blue on the plan in Appendix 1 was identified as being suitable for use as a temporary site compound. An approach was made to the owner who has agreed to make the land available by selling it to the Council. This will safeguard it from the risk of future development and enable the surfacing of the level access route from the development and the Prestatyn to Dyserth walkway towards the town centre to be completed.

Benefits

The key benefits will be;

- the provision of new homes to help to address the unmet need for accessible social housing in the town;
- removal of a secluded area which attracted criminal activity;
- completion of a level access route to the town centre;
- the protection of an area of open space in perpetuity; and
- increased footfall and expenditure in the town centre.

Estimated costs

The estimated costs of the proposal are as follows.

Item	Estimated cost
Construction of apartments	£2,637,000
Abnormal costs	
Accessibility provision (lift and larger floor areas in apartments)	£715,000
Site decontamination	£581,000
Green energy measures	£295,000
Auger piling required due to ground conditions	£113,000
New electricity sub-station	£112,000
Construction of highway access to adoptable standard	£101,000
Acquisition of land for site compound and provision of level access to town centre	£40,000
Total	£4,594,000

Funding

The proposed sources of funding are as follows.

Source	Amount
Denbighshire Housing Revenue Account	£4,594,000
Total	£4,594,000

The Council's funding is already included in the 30 Year Housing Stock Business Plan.

There may be an opportunity to apply for Welsh Government Innovative Housing Programme grant towards the cost of the development as it is consistent with the programme's "Quality design and place making incorporating active travel" theme for the 2019/20 application round and if successful, this would reduce the call on the Housing Revenue Account.

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			
Please provide brief details:					
<p>This option would involve;</p> <ul style="list-style-type: none"> not developing land off The Dell to provide affordable housing selling the bungalow at 1 The Dell for owner occupation; and not acquiring the open space between Fforddisa and Meliden Road. 					
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	✓		Is quicker to deliver	
Quality	Improves the quality		Benefits	Improves benefits	
	Is the same quality			No impact on benefits	
	Is a lower quality	✓		Worsens benefits	✓
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 opportunity to develop an unused piece of land for much needed affordable housing would be lost; the opportunity to protect an area of open space from development and provide would be lost; and the opportunity to provide a level access route to the town centre would be lost 					
Option title:		Minimum option			
Please provide brief details:					
<p>This option would involve;</p> <ul style="list-style-type: none"> renovating the bungalow at 1 The Dell to provide an accessible home for social rent. 					
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	✓		Is quicker to deliver	✓
Quality	Improves the quality		Benefits	Improves benefits	
	Is the same quality			No impact on benefits	
	Is a lower quality	✓		Worsens benefits	✓
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"> only one additional accessible unit for social rent would be provided and the opportunity to develop an unused piece of land for further affordable housing would be lost; the opportunity to protect an area of open space from development and provide would be lost; and the opportunity to provide a level access route to the town centre 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;

- 15 social rented homes delivered; and
- 0.8 acres of open space protected.

EXPECTED DIS-BENEFITS

Outcomes perceived as negative by one or more stakeholders

Residents of The Dell submitted a number of objections to the Planning application which were based on a range of perceptions including;

- the proposed design not being in keeping with the area;
- there would be inadequate on-site parking;
- some properties would be overlooked by the development;
- an important habitat would be lost;
- the highway infrastructure would not be able to cope with the levels of traffic generated; and
- the development would cause flooding.

All of these were discounted during the Planning process.

TIMESCALE

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

Date	Milestone
30 th April 2019	Determination of business case by Strategic Investment Group
30 th September 2019	Completion of purchase of land for construction compound
1 st October 2019	Start on site for residential development
31 st July 2020	Completion of residential development

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:	Previous years	2019/20	2020/21	All Years Total
Facilitating & Building Works		£1,408,000	£2,112,000	£3,520,000
Preliminaries		£387,000		£387,000
Fees	£213,000	£174,000	£43,000	£430,000
Risk			£217,000	£217,000
Land acquisition		£40,000		£40,000
TOTAL	£213,000	£2,009,000	£2,372,000	£4,594,000

Please provide details of proposed capital funding sources					
Enter details of funding source	Status:		2019/20	2020/21	TOTAL
Housing Revenue Account	Approved	£213,000	£2,009,000	£2,372,000	£4,594,000
TOTAL		£213,000	£2,009,000	£2,372,000	£4,594,000

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 development phase or following completion. The development will generate an income stream for the Housing Revenue Account and the Council already maintains the area of open space between Fforddisa and Meliden Road.

PROJECT MANAGEMENT

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

The project will be managed by the Housing Development Manager.

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.

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.

Not applicable

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					

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 enable the development of energy efficient homes.

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	
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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).

An ecological survey was undertaken as part of the Planning process.

The Council's Countryside service is involved in all aspects of the development.

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 land required		Land already in the Council's ownership or terms agreed for its purchase
Failure to obtain Planning consent		Planning permission granted
Cost over run		Estimates based on construction industry price indices Terms agreed for purchase of land

SUPPORTING INFORMATION

Please list any supporting documents that accompany this Business Case

<p>Appendix 1 - Location Plan</p> <p>Appendix 2 - Photograph of development site</p> <p>Appendix 3 - Photograph of site for compound/level route to town centre</p> <p>Appendix 4 - Visual of proposed development</p>
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ANNUAL CAPITAL BIDS – BLOCK ALLOCATIONS

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

<p>Not applicable</p>

COUNTY LANDLORD STATEMENT

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

<p>The bid is supported. The proposals will provide modern accessible and energy efficient homes in an area of priority need and within close proximity of local services. It is recognised that a lack of suitable building land in an area of priority requires increased investment.</p>	
<p>Supplied by: David Lorey</p>	<p>Date: 22/05/19</p>

CHIEF FINANCE OFFICER STATEMENT

<p>The total cost of the development results in a high unit cost per dwelling. The relatively high cost reflects the specification of the provision (addressing local needs) and the abnormal costs associated with development on the site. The HSBP can sustain the cost of this development within existing capital plans as the unit cost of other acquisitions and developments are emerging at a lower than average unit cost. However, this position must be continually monitored as developments progress to ensure the capital plan is affordable and HSBP remains sustainable in the long term.</p>	
<p>Supplied by: Richard Weigh</p>	<p>Date: 24th May 2019</p>

VERIFICATION:

Project Manager:	Mark Dixon		
Project Executive:	Jamie Groves		
Name:	Jamie Groves	Position:	Head of Facilities, Assets & Housing
Signature:	<i>Jamie Groves</i>	Date:	30 th April 2019

For use by Finance:

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



Location Plan



Photograph of site



Photograph of site for compound/level route to town centre



Visual of proposed development

