

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:	Queen’s Buildings Rhyl (Phase 1)
Project Reference:	PR0044791
Project Manager:	Russell Vaughan
Workstream:	Rhyl Regeneration Programme

Project Sponsor	Tom Booty	Lead member:	Cllr Hugh Evans
Service:	Finance & Property Services	LM Portfolio:	Lead Member: Economy and Corporate Governance
Form completed by:	Russell Vaughan	Date:	04/09/2020
Service Accountant:		Date:	

PROJECT TYPE

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

SMALL	<input type="checkbox"/>	MEDIUM	<input type="checkbox"/>	LARGE	<input checked="" type="checkbox"/>
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DECISION SOUGHT FROM SIG:	Recommendation of a funding contribution of £1.5m to the project
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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

Denbighshire County Council, Welsh Government and a number of partners are working to reverse the issues which have beset Rhyl in recent years, and this includes ambitious plans to improve the Town Centre through a master planning approach. There are a number of eye-sore Town Centre properties which need to be dealt with as part of these efforts – particularly as they currently affect the perceptions of people arriving into the Town Centre. There are still countless numbers of negative attitudes, conversations and social media posts about Rhyl which describe historic visits to the town, despite the improvements made in recent years.

The Queen's Buildings need to be regenerated in a way which meets the agreed aspirations for the Town Centre going forward – including improving the physical appearance of this key area of the Town Centre, providing a new mix of productive economic uses, providing new business and employment and improve confidence in the Town Centre, increasing footfall and helping stimulate private sector investment in the town.

We are working with experienced designers and developers to create a concept for the Queens Market which aims to:

- Take an underused site and create a space which makes a positive long-term contribution to the Town Centre and Rhyl.
- Provide a quality offer of mixed uses with the potential for food and drink, leisure, retail, offices, residential and civic space.
- Increase the number of people spending time in Rhyl Town Centre.

The current proposals have been developed with DCC's partner Ion Developments Ltd, whose previous involvement in Rhyl Waterfront resulted in the refurbishment of the Pavilion Theatre and the development of a new Travelodge Hotel, Marstons family pub and refurbishment of the underground car park. Ion have assembled a team of property professionals to develop the proposals, who bring a range of experience and expertise to the process.

Before any development commences the majority of the buildings that have been acquired will be demolished, and this is currently programmed to commence in autumn 2020. The exception is the red brick building which fronts onto Sussex Street, an attractive red brick façade which is within Rhyl Town Centre Conservation Area, which will be retained and restored and form one of the entrances to a new event space and market hall.

The key elements of the first phase of the project are:

- The development of an indoor market hall to accommodate 6 hot food kiosks, 10 permanent market stalls and 6 additional temporary market stalls, and seating for up to 200 people dining;
- The development of a flexible space which could accommodate a range of events including speciality markets, exhibitions, music, theatrical and film performances.

- Toilets and a bar area which will serve both the above spaces, resulting in a building (including the market hall and event space detailed above) providing a footprint for this phase of the development of 1,450m² (with the mezzanine level, a total of just under 2,000m²).
- Installation of a drainage attenuation tank which is a critical piece of infrastructure required by Welsh Water to ensure that the existing drainage network is not overrun in a storm event by surface water emanating from the development. The attenuation tank will serve both phase 1 and later phases, but can only be installed as part of phase 1 to avoid unnecessary ground disturbance and significant additional costs in later phases.
- The creation of 2,028m² of new, permanent public realm adjacent to the new market hall, including the important connection through to West Parade seafront.
- The creation of 2,564m² of temporary landscaping where buildings have been demolished, prior to future development.
- The retention of the existing 20 (18 + 2 disabled) space council car park

Estimated costs and funding sources

The estimated cost to deliver this project is £11.734m.

The funding in place is £7.463m (see below)

Funding Source	Amount
WEFO – Building for the Future	£2,500,000
Welsh Government – Targeted Match Funding	£2,500,000
DCC Capital	£1,900,000
DCC Asbestos Budget	£252,000
DCC (WG Economic Stimulus Grant)	£311,000
TOTAL	£7,463,000

This leaves a funding shortfall of approx. £4.271m. The team are hopeful that additional external funding can be secured, but the likelihood of this being the entire shortfall is extremely low. The project are seeking an additional Denbighshire CC capital funding contribution of £1.5 million to keep the project on track and enable us to progress with the demolition, secure planning consent for the whole site (including future phases) and get to the position where we have a cleared site (with no liabilities associated with retaining the building) ready for the development of phase 1 and future phases.

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 involves the Council not progressing any further with the demolition of the buildings nor development of the scheme.</p> <p>If we were to not progress any further we would be left with a dangerous derelict eyesore of a building within the town centre of Rhyl that will still require significant ongoing costs (e.g. emergency structural work, security, potential partial demolition). The likelihood is also that the £5 million external funding already secured for the project would be clawed back.</p>					
Please mark with an X how this option compares with the preferred option in terms of Cost, Time, Quality and Benefits:					
Costs	Costs more	x	Time	Takes longer to deliver	
	Costs the same			Takes the same to deliver	
	Costs less			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 is not the preferred option going forward as it would result in the following:</p> <ul style="list-style-type: none"> - The properties continuing to be a visual blight in a key Town Centre location and partly within a Conservation Area. - Deterioration continuing, which will lead to an increase in the cost of undertaking restorative works. - Structural problems already exist in the NW corner of the Savoy Hotel with temporary works being carried out. If the demolition didn't proceed more permanent works would be required or even partial demolition at a later date. - The risk of £5 million clawback <p>This option is not preferred due to the site's prominent location and the potential danger of the various structures within it, along with the grant clawback risk.</p>					

Option title:	Proceed with demolition but not developing further				
Please provide brief details:					
<p>This option would involve demolishing the derelict buildings we have purchased and nothing further. This would be doing what would be considered the 'necessary' bare minimum to safe-guard and visually improve the town centre. This option would include:</p> <ul style="list-style-type: none"> - Demolition of all structurally unsafe and eye-sore buildings on the site; - Temporarily landscaping the areas that remain following the demolition; - Keep the temporary car park on Queen St in situ until something further is developed (if something is developed). 					
Please mark with an X how this option compares with the preferred option in terms of Cost, Time, Quality and Benefits:					
Costs	Costs more	x	Time	Takes longer to deliver	
	Costs the same			Takes the same to deliver	
	Costs less			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 is not being pursued because it will only partially fulfil the vision for Rhyl Town Centre and against the needs as outlined in the funding criteria. This development would still be an expensive activity, but without all of the outputs being brought to fruition. As with option 1, it would also risk exposing the council to a £5 million clawback claim for the external grant funding already secured by the project.</p>					

EXPECTED BENEFITS

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

Output	Phase 1 outputs	Comments
Jobs accommodated	100	Based on enterprise numbers
Enterprises accommodated	25	6 hot food units 10 permanent market kiosks 6 market stalls 2 retail units (Sussex Street) 1 management company/operator
Land developed	0.65 Ha	
Premises created or refurbished	1,997m ²	
Gross jobs created	35	Based on enterprise numbers

Purpose	Phase 1 outputs	Comments
Class A retail	80m ²	Two units on Sussex St frontage
Public Realm	2,028m ²	
Covered Market	600 m ²	The proposals is now for a fully enclosed market hall (as opposed to just a canopy) 100m ² larger than initially envisaged. A further 850m ² of floorspace will be created through the indoor event space and associated toilets and bar, exceeding the target by 950m ² .
Market Stalls	22	6 hot food units 10 permanent market kiosks 6 market stalls

EXPECTED DIS-BENEFITS

Outcomes perceived as negative by one or more stakeholders

<ul style="list-style-type: none"> - The extent of demolition may be perceived as a negative to some interested members of the public and/or local members

TIMESCALE

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

Date	Milestone
18/09/2020	Grant of Prior Approval Application
09/10/2020	Appoint demolition contractor (via Sell2Wales)
02/11/2020	Commence Demolition
20/01/2021	Receive planning permission
26/03/2021	Appoint contractor for phase 1 development (via North Wales Construction Framework)
10/05/2021	Start phase 1 development
13/05/2022	Complete phase 1 development
13/06/2022	Open for business

CAPITAL COSTS – CONSTRUCTION PROJECTS

Element	Spent to Date	Committed	Future spend and estimates	TOTAL
Acquisition	£3,023,151	£0	£0	£3,023,151
Business relocation & extinguishment	£401,620	£0	£160,000	£561,620
Asbestos removal	£153,652	£18,064	£300,000	£471,716
H&S / Emergency works	£28,714	£0	£5,000	£33,714
Building clearance	£56,217	£9,450	£25,000	£90,667
Holding costs (utilities, rates, etc.)	£117,484	£674	£5,000	£123,158
Professional fees (DCC)	£105,184	£0	£25,000	£130,184
Demolition	£0	£0	£1,141,916	£1,141,916
Allowance for Façade retention	£0	£0	£317,199	£317,199
Site infrastructure	£0	£0	£380,639	£380,639
Construction (market hall/events)	£0	£0	£2,004,125	£2,004,125
Fixtures and fittings	£0	£0	£126,880	£126,880
Landscaping	£0	£0	£764,449	£764,449
Temporary landscaping	£0	£0	£63,440	£63,440
Legal and Marketing	£0	£0	£166,000	£166,000
Surveys and Reports	£32,935	£109,022	£11,865	£153,822
Professional fees	£108,175	£285,320	£744,196	£1,137,691
Interest	£0	£0	£191,131	£191,131
Developer return	£0	£0	£853,069	£853,069
TOTAL	£4,027,132.00	£422,530.00	£7,284,909.00	£11,734,571

Please provide details of proposed capital funding sources						
Enter details of funding source	Status:	2019/20	2020/21	2021/22	Future Years	TOTAL
WEFO – Building for the Future	In principle award			£2,500,000		£2,500,000
Welsh Government – Targeted Match Funding	Received	£2,500,000				£2,500,000
DCC Capital contingency	Received	£1,900,000				£1,900,000
DCC Asbestos Budget	Received	£132,000	£125,000			£252,000
DCC (WG Economic Stimulus Grant)	Received	£311,000				£311,000
Denbighshire CC capital funding contribution	Requested from SIG / Cabinet 22/09/2020		£1,500,000			£1,500,000
Additional funding requests to B4TF, TRI, NWEAB etc.	Ongoing discussions			£2,771,571		£2,771,571
TOTAL		£4,843,000	£1,625,000	£5,271,571		£11,734,571

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)			
energy costs (heating, lighting, ICT, etc)			
property maintenance and servicing costs			
other property related costs (rental, insurance, etc)			
ongoing ICT costs (licences, etc)			
mileage of Denbighshire fleet vehicles			
mileage for business travel by Denbighshire employees using their personal vehicles			
OTHER (please enter)			
OTHER (please enter)			
OVERALL REVENUE REQUIREMENT			

At this stage, the revenue implications of the project have not been fully assessed, but the concept is that the running costs associated with the building will be covered (and exceeded) by the income generated through the market stall fees, bar income and events programme. The proposed approach is that the management and operation of the building will be leased out to a third party operator and that operator will be responsible for meeting the revenue costs associated with the building. Denbighshire Leisure Ltd have already expressed an interest in taking on the management and operation of the building, although the likelihood is the terms of the external grant funding for the project will require us to advertise the opportunity and go through a selection process, rather than any direct award.

PROJECT MANAGEMENT

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

Project Governance will be provided by the Queen's Buildings Project Board. Members of the Board include DCC's Corporate Director for Economy and Public Realm (Graham Boase), Section 151 Officer (Steve Gadd), Project Executive (Tom Booty) along with other key officers within DCC. There are also a number of officers from WG who attend such as Andrew Burke, Mark Pritchard, Carole Weller, Siwan Williams, John Humphreys and Sian Harry, along with our development partners (ION Developments).

The project also comes under the umbrella of the Rhyl Regeneration Programme. This group is chaired by our Corporate Director for Economy and Public Realm (Graham Boase), with relevant Group Members including the Council's Head of Property and Finance / Section 151 Officer (Steve Gadd), Head of Planning, Public Protection and Countryside Services (Emlyn Jones), Head of Highways, Facilities and Environmental Services and the Head of Regeneration North & Mid Wales for Welsh Government (Carole Weller).

The project is one of the Council's key projects so will be managed by a member of the Corporate Programmes Office (Russell Vaughan) and led by the Lead Officer for Strategic Asset Management (Tom Booty). PRINCE2 project management methodology will be used in delivering this scheme in line with the Council's protocols.

The project leads will be accountable to a Project Board, which will oversee all aspects of project delivery and review submitted Highlight Reports on a six weekly cycle.

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.

Since the purchase of the various buildings on the site structural concerns were identified at the NW corner of the former Savoy Hotel. We have had to carry out some temporary structural works to support this, but this has been carried out on the assumption that the buildings will be demolished in the near future. If this is not the case then more permanent support will be required here or even partial demolishing regardless.

There are a number of derelict buildings on the site which following years of neglect are continuing to deteriorate and may, as above, require demolition in the near future regardless of whether the project proceeds or not.

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					

The first stage of the project will to be demolish a large number of derelict and inefficient buildings in Rhyl town centre. These have previously been used as hotels, amusement arcades, nightclubs, café's and markets but to name a few uses.

Construction will be a simple portal frame, using a mix of structural steel and wood, along with glazing to provide good natural light levels.

Obviously, there will be an increase in the emissions of the Council as we are adding a building that doesn't currently exist to our portfolio but will ensure it is low carbon, but at this stage of design we are not able to include definitive figures

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).

In November 2019 a Preliminary Bat Roost Assessment, Nesting Bird Check and Emergence Survey was carried out on the site by Enfys Ecology, through discussion with Joel Walley.

The design team have also had conversations with Joel as a key consultee in the Pre-Application Consultation process.

As advised, any demolition will take place outside of the bird nesting season.

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

Key Risk	Likely Impact	Mitigating Action
Inability to secure additional external funding	Very high	Regular meetings with various funders to try and source additional funding. E.g. TRI, B4TF, NWEAB.
Second B4TF grant not awarded	Very High	Approval in principle received and regular dialogue with WG colleagues
Increase in demolition / build cost	Very High	Estimates provided by property consultant and similar works recently tendered
Failure to secure tenants once developed	High	Appointment of development partner to source occupiers
Failure to obtain statutory consent	High	Site included in Local Development Plan and pre-planning consultation held with key stakeholders

SUPPORTING INFORMATION

Please list any supporting documents that accompany this Business Case

COUNTY LANDLORD STATEMENT

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

Increased costs in relation to redevelopment of older structures is not uncommon and the need for unforeseen extensive demolition has obviously been a significant contributory factor in the need for additional funding. While the proposals are generally supported in terms of contribution to regeneration and enhancement of the Town Centre, consideration of the decarbonisation agenda, ongoing operational and maintenance costs and general quality of the development should not be compromised through the need to reduce construction costs and this should be incorporated into future cost estimates.

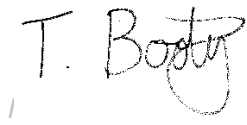
Supplied by: David Lorey **Date:** 03/09/2020

CHIEF FINANCE OFFICER STATEMENT

The financial position is clearly summarised in the capital cost / funding sections of this business case. The detailed review of the current financial position of the project has been extensive and detailed and should provide some assurances that Phase 1 of the project can be delivered within the revised cost estimate. It is clear that the consequences of not providing the additional £1.5m funding at this stage would have adverse consequences for the Council's regeneration aims, for the reputation of the Council to deliver major projects and indeed would result in the clawback of grant funding which would result in even greater costs to be funded by the Council. The additional £2.8m funding requirement remains a risk and progress on identifying this funding will need to be monitored closely

Supplied by: Steve Gadd **Date:** 02/09/2020

VERIFICATION:

Project Manager:	Russell Vaughan		
Project Sponsor:	Tom Booty		
Name:	Tom Booty	Position:	Lead Officer – Strategic Asset Management
Signature:		Date:	4 th September 2020

For use by Finance:

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