

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:	Redevelopment of former Prestatyn library
Project Reference:	
Project Manager:	Mark Dixon
Workstream/Programme:	Young People & Housing

Head of Service/Project Sponsor	Steve Gadd / Dave Lorey	Lead member:	Tony Thomas
Service:	Finance & Property	LM Portfolio:	Housing & Communities
Form completed by:	Mark Dixon	Date:	21 st June 2021
Service Accountant:	Clare John	Date:	21 st June 2021

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 redevelopment of the former Prestatyn library to provide apartments and ground floor commercial space 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 Local Housing Market Assessment 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.

The former Prestatyn library outlined in red on the plan in Appendix 1 was identified as potentially being suitable for redevelopment to address the identified need 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;
- the majority of the site is outside the TAN15 Development Advice Zone for Coastal Flood Risk; and
- it is close to town centre services.

The Prestatyn Member Area Group were keen that the proposed development on the site should include commercial space at the ground floor level to accommodate uses which would draw footfall from the Shopping Park towards the High Street. This is fortuitous because the flood risk on the northern extremity of the site makes the ground floor unsuitable for residential use and this suggestion will provide a productive use for what otherwise would have been an under-utilised space.

Project description

The project involves;

- the demolition of the former library;
- the construction of 14 no. one bedroom accessible apartments for social rent with lift access and 2 no. ground floor commercial units; and

- improved access, parking and outdoor amenity space to be shared with residents of the existing Llys Bodnant flats.

The development will aim to achieve the highest energy performance rating and lowest carbon emissions which are reasonably possible by eliminating the use of hydrocarbon fuels from the development, using energy efficient insulation materials, installing Ground Source Heat Pumps, and generating electricity from photovoltaic cells to be stored in batteries.

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 an eyesore from a prominent location in the town centre;
- minimum carbon emissions from a new development;
- increased biodiversity in an urban area;
- the provision of new commercial units in a prime trading location in the town centre; and
- an increase in footfall and expenditure in the town centre.

Estimated costs

The estimated costs of the proposal are as follows.

Item	Estimated cost
Construction	£2,948,000
Green energy features	£505,000
Sustainable drainage	£68,000
Professional Fees	£444,000
Contingency	<u>£352,000</u>
Total	£4,317,000

Funding

The proposed sources of funding are as follows.

Source	Amount
Denbighshire Housing Revenue Account	£2,892,000
Welsh Government Social Housing Grant	<u>£1,425,000</u>
Total	£4,317,000

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

The projected rental income of £31,500 per annum from the commercial units will be retained in the Housing Revenue Account and will contribute towards the delivery of the 30 Year Housing Stock Business Plan.

BUSINESS OPTIONS

Analysis and reasoned recommendation for the base business options of: do nothing / do the minimal or do something. You must include an environmentally enhanced (net carbon zero/ecologically positive compatible) option. If your project is a business development project, then this may not be relevant.

Option 1:	Do nothing - maintain the existing situation				
Please provide brief details:					
<p>This option would involve;</p> <ul style="list-style-type: none"> not redeveloping the former library for social housing and commercial space. 					
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 deliver much needed affordable housing and commercial space to connect the Shopping Park with the High Street would be lost. 					

Option 2:	Environmentally enhanced (“zero carbon”) option				
Please provide brief details:					
<p>This option would involve;</p> <ul style="list-style-type: none"> designing the properties to achieve a SAP rating of 100 or higher. 					
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 cost of the low carbon measures already proposed exceeds the premium for non-fossil fuels allowed by Welsh Government in its financial model for the development of affordable homes. <p>The preferred option will however enable the properties to be built at an acceptable cost, avoid the use of hydrocarbon fuels, achieve the highest possible Energy Performance Certificate rating of “A” and emit as little carbon as is reasonably possible.</p>					

Option 3:	Minimum Option				
Please provide brief details:					
<p>This option would involve;</p> <ul style="list-style-type: none"> • selling the site for another party to develop. 					
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 there would be uncertainty;</p> <ul style="list-style-type: none"> • as to the timescale for delivering the development as the property had failed to sell when marketed previously; and • the nature of any development proposal which might not include social rented homes. 					

EXPECTED BENEFITS

The benefits that the project will deliver expressed in measurable terms against the situation as it exists prior to the project. Remember to capture co-benefits (the added benefits we get from this action/project as well as the direct benefits it will realise).

The benefits expressed in measurable terms are;

- 14 social rented homes delivered; and
- 210 sq m of commercial floor space delivered.

EXPECTED DIS-BENEFITS

Outcomes perceived as negative by one or more stakeholders

There are no dis-benefits expected from the proposal.

TIMESCALE

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

Date	Milestone
29 th June 2021	Consideration of business case by Strategic Investment Group
27 th July 2021	Consideration of business case by Cabinet
8 th November 2021	Start on site of redevelopment
12 th August 2022	Completion of redevelopment

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
Professional fees	£84,000
TOTAL	£84,000

Please provide details of the capital funding requirement (not including amount already spent):				
Enter details of cost element below:	2021/22	2022/23	Future Years	All Years Total
Professional Fees	£249,000	£111,000		£360,000
Construction Contract	£1,525,000	£1,908,000	£88,000	£3,521,000
Contingency		£343,000	£9,000	£352,000
TOTAL	£1,774,000	£2,362,000	£97,000	£4,233,000

Please provide details of proposed capital funding sources					
Enter details of funding source	Status:	2021/22	2022/23	Future Years	TOTAL
Housing Revenue Account	Pending	£349,000	£2,362,000	£97,000	£2,808,000
Social Housing Grant	Allocated	£1,425,000			£1,425,000
TOTAL		£1,774,000	£2,362,000	£97,000	£4,233,000

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)			
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			

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 however generate an income stream for the Housing Revenue Account from the 14 no. social rental apartments and from the 2 no. commercial units.

WHOLE LIFE COST

NOTE: THIS SECTION IS CURRENTLY IN DEVELOPMENT AND FURTHER GUIDANCE ISSUED IN DUE COURSE. OFFICERS DO NOT NEED TO COMPLETE THIS SECTION AT THIS STAGE UNLESS THEY HAVE UNDERTAKEN A WHOLE LIFE COSTING EXERCISE ALREADY INDEPENDENTLY WITHIN THEIR PROJECT.

Please provide brief details of the whole life cost impact of this project over a 20-year period. This should be completed for the preferred business option as well as for the environmentally enhanced business option if it is not selected as the preferred option:

- *[guidance to follow]*
- *[guidance to follow]*
- *[guidance to follow]*

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 Lead Officer Corporate Property & Housing Stock.

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

Highlight reports can 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 Council's Principal Energy Manager (robert.jones@denbighshire.gov.uk) and the Council's Climate and Ecological Change Programme Manager (helen.vaughan-evans@denbighshire.gov.uk) before completing this section.

Denbighshire has committed to reducing its carbon emissions from buildings and fleet by at least 15% by 2022, for the Council to be net carbon zero by 2030 (buildings, fleet, waste, business travel, staff commuting, street lighting) and for the Council to reduce its supply chain emissions by 35% by 2030.

The Business Case requires you to make a forecast for the anticipated carbon emissions impact of the project.

Annual Forecasts:	Annual (current)	Carbon (kgCO ₂ e)	Annual (Post Project)	Carbon (kgCO ₂ e)	Carbon Variance	Comments
Money spent on external goods and services (UNIT= £)	n/a	n/a	n/a	n/a	n/a	n/a
Energy consumption in buildings: (UNIT = kWh)	n/a	n/a	n/a	n/a	n/a	n/a
Energy consumption in Street Lighting: (UNIT = kWh)	n/a	n/a	n/a	n/a	n/a	n/a
Fuel consumption of Denbighshire Fleet vehicles: (UNIT = litres/ kWh)	n/a	n/a	n/a	n/a	n/a	n/a
Mileage of Business Travel (personal vehicles): (UNIT = miles travelled)	n/a	n/a	n/a	n/a	n/a	n/a
Mileage of Staff Commute: (UNIT = miles travelled)	n/a	n/a	n/a	n/a	n/a	n/a
Tonnes of waste produced: (UNIT = tonnes)	n/a	n/a	n/a	n/a	n/a	n/a
One off Forecasts:			Project cost (£)	Carbon (kgCO ₂ e)		Comments
Money spent on external goods and services (UNIT= £)	n/a	n/a	n/a	4,233,000	1,566,210	Spend within the construction category with an emission factor of 0.37 kgCO ₂ /£
TOTAL CARBON EMISSIONS		n/a		n/a	n/a	n/a

Annual Forecasts:	Annual (current)	Carbon (kgCO2e)	Annual (Post Project)	Carbon (kgCO2e)	Carbon Variance	Comments
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Annual Forecasts:	Current	Carbon Absorption (kgCO2e)	Post Project	Carbon Absorption (kgCO2e)	Carbon Absorption Variance	Comments
Hectare of Grassland (UNIT=ha)	n/a	n/a	n/a	n/a	n/a	n/a
Hectares of Forestland (UNIT=ha)	n/a	n/a	n/a	n/a	n/a	n/a
TOTAL CARBON ABSORPTION		n/a		n/a	n/a	n/a

Please highlight the appropriate cell depending on whether on balance this project helps, hinders or is neutral to the Council's goal to become net carbon zero by 2030 (reducing carbon emissions and increasing carbon absorption).

Net Carbon Zero Council Summary	HELPS	HINDERS	NEUTRAL
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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 and/or via tree planting/land management for the benefit of carbon sequestration.

<p>Emissions from tenanted homes do not form part of the council's own carbon footprint.</p> <p>Nevertheless, the specification for the properties will enable tenants to live in energy efficient newly built homes with the highest possible Energy Performance Certificate rating of "A" thereby minimizing their carbon footprint.</p>

Climate Change Lead Officer statement:

Please provide a statement from the Climate Change Lead Officer. Contact Helen Vaughan-Evans on climatechange@denbighshire.gov.uk.

I agree with the officer's assessment of a 'neutral' impact on the Council's Net Carbon Zero goal due to emissions from social housing and commercial property tenanted out not forming part of the emissions scope for the Council's target.

I strongly support the active inclusion of additional energy and carbon efficiency measures and the adoption of renewable heating contributing to the reduction in Denbighshire's area based emissions. The measures also future proof the property to the desired future state in Wales being without gas boilers and thus the avoidance of retrofitting, at a greater expense, in the coming decade.

I note the element of demolition of the former Prestatyn Library. Principles of circular economy-waste avoidance- should be followed as much as possible and careful selection of contractor for this element of the work be appointed.

DCC's Climate and Ecological Change Strategy has a 'plus' target for reducing carbon from its supply chain by 35% by 2030. This project does represent a significant spend with external suppliers representing kgCO₂e per £ spent. Every effort should be taken within the procurement activity of this spend to specify the works for the benefit of low carbon (e.g. via the use of lower spend lots to open the field to local SME's), to assess the bids from a low carbon consideration (e.g. including quality criteria questions with a scoring weighting) and monitor carbon emission performance of the chosen contractor (e.g. through contract management, provision of data).

Any procurement over £25k should seek Community Benefit's and I would encourage the project manager to focus their negotiations with the contractor around securing additional interventions for the benefit of low carbon, biodiversity improvements, carbon sequestration and/or climate and ecological change education/awareness.

The project manager should continue to engage with their Procurement Business Partner and the Community Benefits Hub (Karen Bellis) early in maximising on low carbon / carbon sequestration opportunities from the supply chain associated with this project.

Supplied by: Helen Vaughan-Evans

Date: 24th June 2021

BIODIVERSITY IMPACT

Please consult with Denbighshire's Biodiversity Lead Officer before completing this section. Contact Joel Walley on joel.walley@denbighshire.gov.uk.

The Council has a statutory duty to ensure compliance and enforcement of the Habitats Regulations (as amended in 2017). Furthermore, the Environment (Wales) Act, 2016 requires the Council to maintain and enhance biodiversity, and promote the resilience of ecosystems. At this pre-feasibility stage, please determine the anticipated impact of the project on biodiversity, and proposed measures to ensure the project results in an overall biodiversity enhancement.

Please mark a cross in the appropriate box.

Will this project impact on a habitat that supports living organisms (plant or animal), or involve physical works to property or Land?	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

IMPACTS ON BIODIVERSITY	Yes	✓	No	
Has an ecological appraisal or survey of the site or proposals taken place?				
Cofnod eMapper Link:				
Please provide brief summary of survey findings, or provide a copy of the ecological report for review:				
<p>An ecological appraisal for the development was prepared by Indigo Surveys Ltd and an arboricultural impact assessment was undertaken by Shields Arboricultural Consultancy.</p> <p>The ecological appraisal concluded that the proposed works would not have a lasting or significant impact on wildlife.</p> <p>No rare vascular plants were found, and all species recorded were common and widespread.</p> <p>Due to the small size and nature of the site, no birds were observed. It was understood that gulls had previously nested on the roof of the former library building, and the trees also provided potentially suitable habitat for nesting.</p> <p>The former library building was also inspected for its suitability to support roosting bats. This was considered to be negligible, as there were no external crevices or cavities, and certainly no evidence of roosting bats was found.</p> <p>No evidence of Badgers was found, with no signs of Otters or Water Voles.</p>				

Please provide brief details of how the project will avoid harm to biodiversity.

Six trees will be retained and protected.

Please provide brief details of how the project will mitigate and compensate for any harm to biodiversity.

The proposed site layout involves the loss of four trees, three of which are unsuitable for retention and one was categorised as having low amenity value. Mitigation measures include the planting of replacement trees and as a consequence the overall arboricultural impact will be low to very low with potential for significant improvements in the longer term.

Please provide brief details of how the project will enhance biodiversity and restore ecosystem resilience.

The erection of two bat boxes, three bird boxes and a swift box, and shrub planting include nectar rich and native species will significantly enhance wildlife opportunities.

Please highlight the appropriate cell depending on whether on balance this project helps, hinders or is neutral to the Council's goal to become ecologically positive by 2030 (increasing the species richness of land).

Ecologically Positive Council Summary	HELPS	HINDERS	NEUTRAL
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This scheme should be discussed with the County Tree Officer, to determine the appropriate approach to replacement planting.

The inclusion of provision for nesting birds and roosting bats will increase the sites potential to support protected species.

Ecology Officer summary:

Please provide a statement from the Biodiversity Lead Officer. Contact Joel Walley on joel.walley@denbighshire.gov.uk.

In its current state, the site contains 10 trees, and a small amount of species poor grassland and species poor hedgerow. No protected species were recorded using the site.

The proposals will result in the loss of 4 of the existing trees, 3 of which were recorded as category U trees, and required felling for arboricultural reasons. The scheme will also result in the loss of a single category C tree, which is being removed to facilitate development.

The proposals include the replacement planting of the lost trees, with a total of 5 whitebeam (8-10cm Standards).

Although the category C tree is deemed to be of low quality, it is a substantial tree with a height of 7m and a diameter of 490mm, the loss of which cannot to be mitigated by the planting of an additional 8-10cm Whitebeam, which will never attain this size and structure.

This scheme should be discussed with the County Tree Officer, to determine the appropriate approach to replacement planting.

The inclusion of provision for nesting birds and roosting bats will increase the sites potential to support protected species.

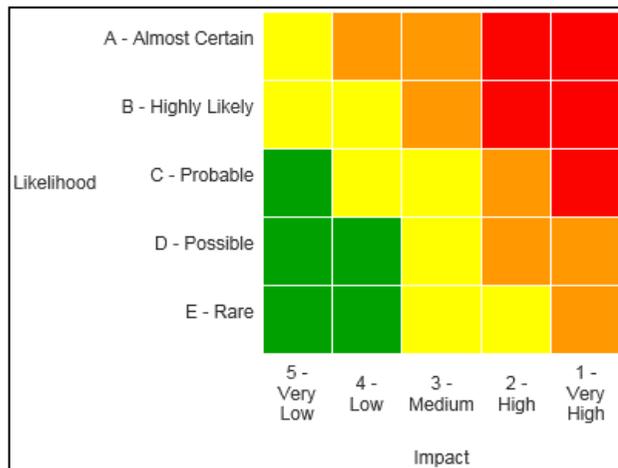
Name: Joel Walley

Date: 29th June 2021

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 is provided below:

Title	Inherent Risk	Mitigating Action	Residual Risk
Cost over run	C2	Estimate based on construction industry data and recent tenders for similar developments	E2
Inability to obtain tenants for residential units	D2	Analysis of Single Housing Register	E2
Inability to obtain tenants for commercial space	D2	Latent demand demonstrated by unsolicited enquiries	E2



SUPPORTING INFORMATION

Please list any supporting documents that accompany this Business Case

Appendix 1 - Location Plan

Appendix 2 - Visual of proposed redevelopment

ANNUAL CAPITAL BIDS – BLOCK ALLOCATIONS

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

None

COUNTY LANDLORD STATEMENT

Please provide a statement from the County Landlord and where applicable the recommendation of the Asset Management Group. Contact Tom Booty on tom.booty@denbighshire.gov.uk.

The Corporate Landlord supports the proposed redevelopment of the former Prestatyn library site. Since the development of the new library, the site is no longer required by the council. It has been previously marketed for sale, but at the time there was no market interest in the property. As such, utilising the site to help address some of the housing need in the town is a sensible approach, and the proposed development is appropriate for the size and location of the site.

The Corporate Landlord supports the low carbon approach to the development. Although any carbon emissions from the development are not within the emissions scope for the council's target of becoming Net Carbon Zero by 2030, the learning gained from developing a low carbon building in this instance will help inform future developments the council undertakes.

Similarly, the Corporate Landlord appreciates the efforts that will be made to improve biodiversity on the site, which is consistent with our ambition to become Ecologically Positive by 2030.

Supplied by: Tom Booty

Date: 28th June 2021

CHIEF FINANCE OFFICER STATEMENT

Please provide a statement from the Chief Finance Officer. Contact Steve Gadd on steve.gadd@denbighshire.gov.uk.

The proposal seems to support the housing requirements, carbon targets and regeneration principle for the Council. Pending resolution at SIG of a few queries about the management model the project is supported.

Supplied by: Steve Gadd

Date: 28th June 2021

VERIFICATION:

Project Manager:	Mark Dixon		
Project Sponsor:	Dave Lorey		
Name:	Dave Lorey	Position:	Lead Officer Corporate Property & Housing Stock
Signature:		Date:	21 st June 2021

For use by Finance:

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

Location Plan



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Visual of proposed redevelopment

