

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:	Llys Anwyl, Churton Road, Rhyl
Project Reference:	
Project Manager:	Mark Dixon
Workstream:	Young People & Housing/Rhyl Regeneration

Project Executive	David Lorey	Lead member:	Cllr Tony Thomas
Service:	Finance & Property	LM Portfolio:	Housing & Communities
Form completed by:	Mark Dixon	Date:	10 th November 2021*
Service Accountant:	Clare John	Date:	

*This is an updated version of the original business case approved by SIG on 28th July 2020 to reflect subsequent events including the tender price received for the conversion works

PROJECT TYPE

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

SMALL	<input checked="" type="checkbox"/>	MEDIUM	<input type="checkbox"/>	LARGE	<input type="checkbox"/>
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DECISION SOUGHT FROM SIG:	To approve the conversion of Llys Anwyl into apartments for social rent
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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 Rhyl as having the 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 in Rhyl and will grow further as existing provision needs improvement or replacement. The current supply of this type of accommodation in the town is very limited.

The availability of suitable sites for providing this type of accommodation in Rhyl is constrained because;

- the remaining allocation of greenfield land for residential development in the Local Development Plan is in the ownership of one developer focused on house building;
- large areas of the town have been included in the TAN15 Development Advice Zone for Coastal Flood Risk limiting the potential for residential development in those areas;
- brownfield sites suitable for residential development in the West Rhyl Regeneration Area are subject to Supplementary Planning Guidance which aims to provide a wider range of housing tenures thereby limiting the opportunity for the development of social rented accommodation; and
- the Town Centre Vision aims to turn the town centre itself into a place where more people want to live whilst at the same time bringing back a wider range of customers with high disposable incomes and greater spending power which limits the opportunity for providing more homes for social rent in the town centre too.

Project description

The project involves the acquisition of the former tax office at Llys Anwyl in Churton Road on terms which were agreed with the vendors. The property is outlined in red on the plan in Appendix 1.

The property was leased to an offshore company which provides office accommodation for central government departments but was unused and the freeholders made an agreement with the tenant that the lease would be surrendered before the sale was completed. The property was available both for lease and for sale for over two years.

Following completion of the purchase of the property, the proposal is to convert it to provide 12 no. self-contained apartments which meet the Council's space standard and these will be let at a social rent.

The property has been identified as having the potential to provide the type of accommodation required to meet the needs identified because;

- the construction and layout of the building means that it can be readily converted for residential use;
- it already has a lift installed which means that apartments on upper storeys could be easily accessed by older residents with mobility issues;
- the conversion represents good value for money in terms of the cost per unit delivered;
- the site is not within the TAN15 Development Advice Zone for Coastal Flood Risk and is therefore suitable for residential use; and
- the proposed change of use would satisfy the tests for loss of employment sites set out in Local Development Plan policy PSE3.

Benefits

The key benefits will be;

- the provision of new homes to address the unmet need for accessible social housing in the town;
- a vacant building being returned to productive use; and
- a reduction in carbon emissions through improvements to the energy efficiency of the building.

Estimated costs

The estimated cost of the development is as follows.

Property	Estimated cost
Purchase Price	£500,000
Land Transfer Tax	£17,722
Professional Fees	£255,157
Renovation	£1,962, 748
Total	£2,735,627

The purchase was completed once Planning permission had been granted for the proposed development and the tenant has surrendered the lease on the property.

Funding

The proposed source of funding for the project is the Council’s 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 / Do minimum			
Please provide brief details:					
<p>This option would involve;</p> <ul style="list-style-type: none"> not acquiring the property. 					
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 opportunity to convert a vacant building for much needed affordable housing would be lost. 					
Option title:		Minimum option			
Please provide brief details:					
<p>This option would involve;</p> <ul style="list-style-type: none"> acquiring the property but undertaking minimal works required to convert it to residential use which would deliver fewer apartments that than the optimum scheme 					
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 has not been pursued because;</p> <ul style="list-style-type: none"> fewer accessible apartments would be delivered than in the optimum scheme; more prospective tenants would remain on the single housing register as a consequence; and the cost per unit delivered would be higher. 					

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;

- 12 accessible social rented homes delivered; and
- a reduction of 50 tonnes in 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
13 th May 2020	Exchange contracts for purchase
3 rd August 2020	Commence pre-application consultation
31 st August 2020	Submit Planning application
6 th January 2021	Planning application determined
20 th January 2021	Acquisition of property completed
23 rd November 2021	Contract awarded for conversion works
28 th October 2022	Practical completion of conversion works

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:	2020/21	2021/22	2022/23	All Years Total
Land/property acquisition	500,000			500,000
Land Transfer Tax	17,722			17,722
Professional Fees		42,360	212,797	255,157
Contract Works		196,275	1,766,473	1,962,748
TOTAL	517,722	238,635	1,979,270	£2,735,627

Please provide details of proposed capital funding sources					
Enter details of funding source	Status:	2020/21	2021/22	2022/23	TOTAL
Housing Revenue Account	Budgeted	517,722	238,635	1,979,270	2,735,627
TOTAL		517,722	238,635	1,979,270	£2,735,627

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 conversion phase or following completion. The development once completed will generate an income stream for the Housing Revenue Account.

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

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 conversion of an empty building and prevent it becoming an eyesore or a dangerous structure.

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		72		22	-50

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 renovation of an existing building including energy efficiency improvements which will lead to reduction in carbon emissions.

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	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
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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	<input type="checkbox"/>	No	<input type="checkbox"/>
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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).

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
Cost over run		Tenders received for renovation works
Failure to complete within timescale		Construction programme based upon previous experience with similar projects
Inability to secure tenants		Property specification meets the needs of households on the social housing register in terms of size and location

SUPPORTING INFORMATION

Please list any supporting documents that accompany this Business Case

<p>Appendix 1 - Location Plan</p> <p>Appendix 2 - Site Image</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

The bid is supported.

The proposal will provide accessible and energy efficient homes in an area of priority need and within close proximity to local services. It will remove the risks associated with an empty building and represents a sustainable approach to providing modern, appropriate accommodation without requiring site clearance, demolition and construction waste or creating the need for additional building materials with their embedded carbon footprint.

The proposal is included within Housing's 30 year business plan.

Supplied by: David Lorey **Date:** 30th April 2020

CHIEF FINANCE OFFICER STATEMENT

As stated above the proposal will provide accessible and energy efficient homes in an area of priority need and within close proximity to local services. The project has funding secured (it is included in the Housing Stock Business Plan) and the acquisition of the site was approved by SIG in July. At that point the detailed costs were estimates, this Business Case provides further certainty to the proposals. The proposal fully supported.

Supplied by: Steve Gadd **Date:** 11 November 21

VERIFICATION:

Project Manager:	Mark Dixon		
Project Executive:	David Lorey		
Name:	David Lorey	Position:	Lead Officer Corporate Property & Housing Stock
Signature:	David Lorey	Date:	30 th April 2020

For use by Finance:

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

Location Plan



Site Image

