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| Report to | Cabinet |
| Date of meeting | 15 th February 2022 |
| Lead Member / Officer | Cllr Hugh Evans OBE Leader of the Council Lead Member for the Economy and Corporate Governance |
| | Cllr Julian Thompson-Hill Deputy Leader of the Council Lead Member for Finance, Performance and Strategic Assets |
| Report author | Russell Vaughan |
| Title | Queen's Buildings Rhyl – Request for additional funding |

1. What is the report about?

This report has been produced to update Cabinet on the Queen's Buildings Rhyl project, approve the updated business case and to seek additional funding to deliver Phase 1.

2. What is the reason for making this report?

To update Cabinet on the Queen's Buildings Rhyl project, seek approval of the updated business case and for additional funding to deliver Phase 1.

3. What are the Recommendations?

That Cabinet approves the updated business case and the allocation of additional funding to the project as detailed in sections 6 and 9.

4. Report details

In March 2019, Denbighshire County Council acquired a number of adjacent buildings in Rhyl town centre on the seafront, known collectively as Queen's Buildings. The buildings were in a dilapidated state, with no active uses on upper floors (the seafront buildings are four storeys) and significant areas of vacant floor space at the ground floor level. Towards the end of 2020 the Council developed ambitious plans for a mixed use, phased development of the site. All buildings other than the Queen's Chambers on the Sussex

Street frontage have now been demolished and a full Planning approval for Phase 1 and an outline approval for subsequent phases was granted at the Planning Committee in September 2021.

At the Cabinet meeting held on 28th April 2021, approval was given to appoint a contractor to deliver Phase 1 via Lot 3 of the North Wales Construction Partnership Framework. Wynne Construction were successful and have been progressing the project from RIBA Stage 3 to produce a technical design. A report will be brought to the March 2022 Cabinet for approval to let the construction contract to Wynne as per the original approval.

The cost of delivering the whole of Phase 1 was originally estimated at £10,922,261 but the first iteration of the Stage 3 cost plan would have resulted in the out turn being significantly more expensive. An extensive value engineering exercise has been carried out to bring the costs down but it has not been possible to deliver the scheme within the existing funding envelope. One of the reasons for this is that there is a stipulation in the Planning approval requested by Natural Resources Wales (NRW) that the finished floor level of the entire building has to be raised by 740mm. This obviously affects the amount of material required to physically raise the building, but has also meant that the design of the building has had to be changed to reflect this but also to ensure that the building remains accessible for all users. Multiple meetings were held with NRW to try and minimize the requirement to raise the level of the Phase 1 development but to no avail. Another reason for the increase in cost is the inflation in the cost of construction materials due to global pressures. For example, the cost of glass and aluminium alone has increased by at least 20% due to the amount of energy required in production. A breakdown of the variance in the estimate cost is attached as Appendix 1.

The removal of the remaining asbestos and demolition has now taken place to enable the delivery of the subsequent phases and were subject to a separate procurement process and Delegated Decision in December 2020. This contract encountered numerous issues throughout and what was originally a 6 month contract period actually took 12 months to complete. This was mainly due to identification of additional asbestos, hidden basements being found and Health & Safety concerns regarding the structural integrity of major buildings. To provide some context, the removal of asbestos alone on this project has cost in excess of £970,000.

All of the above means unfortunately that the project needs additional funding to successfully deliver this phase of the project.

5. How does the decision contribute to the Corporate Priorities?

The decision will contribute to the delivery of the Corporate Priority to achieve an attractive and protected environment supporting well-being and economic prosperity by;

- removing partially derelict town centre buildings and returning the site on which they currently stand to a productive use;
- providing premises which will enable the mix of uses in the town centre to be diversified thereby providing it with a sustainable and economically viable future;
- providing opportunities for new employment and business growth;
- delivery a quality development which will stimulate the private sector to undertake further investment; and
- increasing biodiversity in an urban location.

6. What will it cost and how will it affect other services?

The current estimated cost to deliver Phase 1 is £12,620,481 is set out in Appendix 2 although it should be noted that this also includes costs that will enable, and reduce costs for the delivery of future phases. This includes items such as the acquisition, asbestos removal, demolition and groundworks for the entire site within our ownership, and delivery of Phase 1.

The funding secured to date from a number of sources is shown in the table below:

| Funding Source | Amount |
|--|--------------------|
| DCC Capital | £3,400,000 |
| ERDF -- Building for the Future | £3,350,000 |
| Welsh Government - Targeted Match Funding | £2,500,000 |
| Welsh Government - Transforming Towns fund | £809,261 |
| Welsh Government - Economic Stimulus Grant | £811,000 |
| DCC Asbestos revenue budget | £252,000 |
| TOTAL | £11,122,261 |

Having secured the budget above, this will result in a funding shortfall of £1.5m. We will continue to pursue all possible avenues to bring external funding into the project to minimise

the input required from the Council, but at this stage the Council would need to underwrite the full amount required. A revised business case is as Appendix 3.

7. What are the main conclusions of the Well-being Impact Assessment?

The main conclusions of the assessment are that the proposal will have a positive impact on all of the well-being goals through the provision of a low carbon, fully accessible development which will improve communications and transport infrastructure in a location which will enable residents to access a wider range of services on foot or by cycling. The proposal will have a positive impact on the economy by improving the vitality of the town centre and increasing awareness of employment opportunities in the construction and leisure sectors. It will improve the attractiveness of the area by removing dereliction and improving community safety.

8. What consultations have been carried out with Scrutiny and others?

Cabinet Briefing – numerous updates provided to Cabinet Briefing throughout the life of the project, lastly on February 7th 2022.

Asset Management Group - Approved a report to proceed with the conditional agreement to purchase the site in phases.

Rhyl Member Area Group - Supported the approach adopted by the Council as regards the acquisition of the properties on 19th March 2018. Further support received at their meeting held on 22/10/2018 and 08/04/2019. Special WebEx meetings was held on June 23rd and July 6th to update the MAG on the latest proposals, demolition and timescales, along with a further MAG meeting held in September 2020. Updates have since been reported to the MAG in July and November 2021.

Strategic Investment Group - SIG were consulted on the proposal on the 30th October 2018 and recommended its approval to proceed subject to the comments and conditions contained in the Chief Finance Officer statement. A special SIG was held on September 9th 2020 and they are supportive of the scheme on the proviso that the Rhyl MAG were also in support.

Economic and Business Development - Consulted throughout the negotiations and in full support for the purchase. This is the key site required to deliver the Rhyl Town Centre Master Plan and the team will continue to be involved in its delivery.

Queen's Buildings Project Board – a new project Board was convened in April 2021 to oversee and progress the development of the site. Membership includes high level representation from DCC and Welsh Government and they have met monthly since the inaugural meeting on April 14th 2021.

Funding bodies – the team continue to meet with officers at Welsh Government fortnightly and have held numerous meetings with WG and WEFO throughout to ensure they are fully up to date with the scheme, to provide them with confidence and also to source additional funding as and when available.

9. Chief Finance Officer Statement

Although any overspend on a project is disappointing the reasons in this case are clear and would seem unavoidable. Any failure to complete the project would likely involve significant grant clawback. It is also clear the project will still deliver significant regeneration benefits which will hopefully be the catalyst for further investment. The resultant asset will also remain in the ownership of DCC. For all those reasons I'm comfortable in supporting the recommendation to underwrite the additional £1.5m required from within the capital plan. As highlighted in the report it is important that the project continues to pursue all possible avenues to bring external funding into the project to minimise the input required from the Council and this will be monitored carefully over the coming months.

10. What risks are there and is there anything we can do to reduce them?

The key risk is:

If a decision to provide additional funding to the project is not received, then the project cannot be delivered as planned. This would result in us not delivering the outputs as agreed by the grant funding offer and we would not receive the £3.350m ERDF funding earmarked above. There is also a risk that some or all of the funding allocated from other WG funding streams is also clawed back.

If a positive decision is made at today's meeting, this will allow us sufficient time to deliver the scheme and associated benefits within the funding deadline.

11. Power to make the decision

Section 2 of the Local Government Act 2000 gives every local authority in Wales the power to do anything which they consider is likely to achieve the promotion or improvement of the economic well-being, social well-being of their area, or the environmental well-being of their area.