

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 | Steve Gadd | Lead member: | Cllr Hugh Evans |
| Service: | Finance & Property Services | LM Portfolio: | Lead Member: Economy and Corporate Governance |
| Form completed by: | Russell Vaughan | Date: | 31/01/2022 |
| 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"/> | X <input type="checkbox"/> |
|---------------------------------------|--|--|-----------------------------------|

| | |
|--------------------------------------|--|
| DECISION SOUGHT FROM CABINET: | That Cabinet approves the updated business case and the allocation of additional funding to the project as detailed in sections 6 and 9 of the February 2022 Cabinet report. |
|--------------------------------------|--|

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 Wynne Construction and their design team. Wynne were appointed via the North Wales Construction Partnership framework and have a proven record of delivering successful projects throughout North Wales and further afield.

Before any development commences the majority of the buildings that have been acquired have been demolished. 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 has been retained and will be 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 food / market hall to accommodate 7 hot food kiosks, 15 permanent market stalls and seating for up to 180 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 1,919m²;
- 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.
- 201m² refurbishment of the existing Queens Chambers into 2 retail units and first floor office
- The creation of 1,821m² of new, permanent public realm adjacent to the new market hall, including the important connection through to West Parade seafront.
- The creation of 2,271m² 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 £12.620m.

The funding in place is £11.122m (see below)

| Funding Source | Amount |
|---|--------------------|
| WEFO – Building for the Future | £3,350,000 |
| Welsh Government- Targeted Match Funding | £2,500,000 |
| Welsh Government- Transforming Towns | £809,261 |
| Welsh Government- Economic Stimulus 2019/20 | £311,000 |
| Welsh Government- Economic Stimulus 2020/21 | £500,000 |
| DCC Capital | £3,400,000 |
| DCC Asbestos Budget | £252,000 |
| TOTAL | £11,122,261 |

This leaves a funding shortfall of approx. £1.5m. The team will continue to pursue all avenues for additional external funding, but the Council should be prepared to fund the funding shortfall in its entirety. 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 develop phase 1 and enable 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 (cleared, demolished site but no development) | | | | |
| Please provide brief details: | | | | | |
| <p>This option involves the Council not progressing any further with the development of Phase 1 of the scheme.</p> <p>If we were to not progress any further, we would be left with a large cleared site within the town centre of Rhyl. This would result in us not receiving the £3.350m of ERDF funding, and WG potentially clawing back in excess of £2.5m of funding already drawn down.</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 | | 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 is not the preferred option going forward as it would result in the following:</p> <ul style="list-style-type: none"> - The Council would have to give back most, if not all or the money secured externally and foot the bill to date which is in excess of £6.3m. - The benefits of the development would not be delivered thus not contributing towards the regeneration of Rhyl. | | | | | |

EXPECTED BENEFITS

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

The site was acquired as part of the wider regeneration strategy for Rhyl with the specific aims of:

- Addressing the eyesore nature of the partially derelict and dilapidated site to improve the physical appearance of this key area of the town centre, providing a much more positive image of the town for shoppers and visitors;
- To provide a new mix of uses on the site to help reinvigorate the town centre, with a clear focus on returning the site to a productive economic use and providing new business and employment opportunities;
- To improve confidence in the town centre, increasing footfall and helping to stimulate further private sector investment in the town.

| Output | Phase 1 outputs | Comments |
|---------------------------------|---------------------|---|
| Jobs accommodated | 140 | Based on enterprise numbers |
| Enterprises accommodated | 25 | 7 hot food units 15 permanent market kiosks 2 retail units (Sussex Street) 1 management company/operator |
| Land developed | 0.65 Ha | |
| Premises created or refurbished | 4,160m ² | |
| Gross jobs created | 35 | Based on enterprise numbers |

EXPECTED DIS-BENEFITS

Outcomes perceived as negative by one or more stakeholders

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 |
|------------|---|
| 26/01/2021 | Commence Demolition |
| 05/08/2021 | Appoint contractor for phase 1 development (via North Wales Construction Framework) |
| 08/09/2021 | Receive planning permission |

| | |
|------------|---|
| 04/02/2022 | Demolition complete |
| 15/02/2022 | Seek approval from Cabinet to source additional funding |
| 15/03/2022 | Seek approval from Cabinet to let construction contract |
| 02/05/2022 | Start phase 1 development |
| 08/03/2023 | Complete phase 1 development |
| 03/04/2023 | Open for business |

CAPITAL COSTS – CONSTRUCTION PROJECTS

| Element | Spend to date | Budget estimate |
|--|-------------------|--------------------|
| Acquisition | £3,022,881 | £3,022,881 |
| Business Relocation, Extinguishment & Disturbance | £604,805 | £610,000 |
| Asbestos removal - pre-demolition contract | £171,482 | £171,482 |
| H & S/Emergency Works | £29,278 | £29,278 |
| Building Clearance | £80,988 | £80,988 |
| Holding Costs (utilities, rates, etc.) | £33,739 | £35,000 |
| Professional Fees (DCC) | £121,005 | £130,184 |
| Demolition/Construction preparation works | £138,589 | £155,000 |
| Demolition | £860,737 | £1,212,999 |
| Asbestos removal - demolition contract | £798,856 | £798,856 |
| Consultant Fees to point of planning submission (RIBA Stage 3) | £311,068 | £311,068 |
| Consultant Fees - planning to commencement of construction | £33,833 | £270,000 |
| Consultant Fees - construction period | £0 | £334,711 |
| Consultant Fees -12 month retention period/snagging | £0 | £15,000 |
| Construction of Market Hall/Event Space/Queens Chambers | | |
| Fittings and furnishings | | |
| Utilities | | |
| External Landscaped areas | | |
| Temporary Landscaped areas (future phases) | £0 | £5,443,034 |
| Contingency | | |
| Preliminaries | | |
| OHP | | |
| Legal & Marketing | | |
| TOTAL | £6,207,260 | £12,620,481 |

| Please provide details of proposed capital funding sources | | | | | | |
|--|--------------------|------------|----------|---------|------------|-------------------|
| Enter details of funding source | Status: | 2019/20 | 2020/21 | 2021/22 | 2022/23 | TOTAL |
| ERDF– Building for the Future | In principle award | | | | £3,350,000 | £3,350,000 |
| 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 | £127,000 | £125,000 | | | £252,000 |

| | | | | | | |
|-----------------------------|----------------------------|-------------------|-------------------|-----------------|-------------------|---------------------|
| WG Economic Stimulus Grant) | Received | £311,000 | £500,000 | | | £811,000 |
| DCC capital funding | Received | | £1,500,000 | | | £1,500,000 |
| WG- Transforming Towns | Received | | | £809,261 | | £809,261 |
| DCC Capital funding | Requested at Feb Committee | | | | £1,500,000 | £1,500,000 |
| TOTAL | | £4,828,000 | £2,125,000 | £809,261 | £4,850,000 | £12,622,261, |

**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. A procurement process will commence shortly to get an operator on board and will be advertised via Sell2Wales.

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 Chief Executive (Graham Boase), Project Executive (Mark Dixon) Leader of the Council (Cllr Hugh Evans) and Deputy Leader of the Council (Cllr Julian Thompson-Hill) along with other key officers within DCC. There is also attendance from the Welsh Government's Head of Regeneration North and Mid Wales (Carole Weller).

The project also comes under the umbrella of the Rhyl Regeneration Programme. This group is chaired by our Chief Executive (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 Housing Development Manager (Mark Dixon). 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.

There were countless issues with the structural integrity of the majority of buildings on the site hence the need for them to be demolished. The one remaining building, the Queen Chambers' has had extensive remedial works carried out to ensure the safe demolition of the adjoin market hall and to help maintain it for future refurbishment and use.

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 was to 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 | |
|---|-----|---|----|--|

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 | ✓ |
|--|-----|--|----|---|

| 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, the previous demolition work took 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 funding | Very high | Regular meetings with various funders to try and source additional funding. E.g. TRI, B4TF, NWEAB. |
| Not delivering the project within the funding deadline | Very high | Regular dialogue between project manager, design team, contractor and funders to ensure smooth delivery. |
| Not receiving the ERDF grant funding | Very High | Approval in principle received and regular dialogue with WG colleagues |
| Increase in build cost | Very High | Estimates provided by property consultant and similar works recently tendered |
| Failure to secure tenants once developed | High | Procurement process commenced to procure an operator to run the facility on our behalf. |

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

costs in relation to redevelopment involving alteration or demolition of older structures is not uncommon and the increase in materials and contractor costs over the time-line of the project is a significant contributory factor in the need for additional funding. While the proposals are 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 initial construction costs.

Supplied by: David Lorey **Date:** 01/01/2022

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.

Supplied by: Steve Gadd **Date:** 31/01/2022

VERIFICATION:

| | | | |
|-------------------------|-----------------|------------------|-------------------------------|
| Project Manager: | Russell Vaughan | | |
| Project Sponsor: | Steve Gadd | | |
| Name: | Steve Gadd | Position: | Head of Finance and Property |
| Signature: | / | Date: | 31 st January 2022 |