

<b>Report to</b>	Cabinet
<b>Date of meeting</b>	15 <sup>th</sup> March 2022
<b>Lead Member / Officer</b>	Cllr Hugh Evans OBE, Leader of the Council and Lead Member for the Economy and Corporate Governance  Cllr Julian Thompson-Hill, Deputy Leader of the Council and Lead Member for Finance, Performance and Strategic Assets
<b>Report author</b>	Russell Vaughan
<b>Title</b>	Queens Buildings Phase 1 – construction contract award

## **1. What is the report about?**

This report is about the second stage of the process to award a contract for the construction of the Queen's Buildings development in Rhyl.

## **2. What is the reason for making this report?**

To seek the approval of Cabinet to award a Contract to the preferred Contractor via Delegated Decision.

## **3. What are the Recommendations?**

- 3.1. That Cabinet delegates authority to award a Contract for the construction of Phase I of the Queen's Building development to the preferred Contractor to the Chief Executive in consultation with the Section 151 Officer, Monitoring Officer and relevant Lead Members at the conclusion of the detailed design stage providing the cost plan is within the envelope of affordability for the works;
- 3.2. That Cabinet approves the immediate implementation of the Delegated Decision due to the urgency to award a Contract to allow works to commence on site as soon as possible to meet grant funding deadlines; and
- 3.3. That Cabinet confirms that it has read, understood and taken account of the Well-being Impact Assessment as part of its consideration (Appendix 1).

## 4. Report details

- 4.1 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.
- 4.2 In April 2021, Cabinet approved the procurement strategy to deliver Phase 1 of the Queens Buildings development. This was to appoint a contractor on a two-stage process via Lot 3 of the North Wales Construction Partnership (NWCP) framework. Wynne Construction were successful in this first stage and were appointed to work the scheme up from Planning approved, through detailed design to construction. We will shortly be at a stage where the Contractors Proposals (CP's) have been received and agreed, and are in a position to let the construction contract to Wynne Construction to deliver Phase 1 of the development.
- 4.3 Having secured the budget required to deliver Phase I of the project, the final stages of detailed design work is taking place including preparation of the CP's and the contract specification ready for construction, which is due to start in mid/late April. As the letting of the construction contract will fall after the last Cabinet meeting of this Council, approval to award the contract through a Delegated Decision is required to ensure that the tight timescales for project delivery are achieved. All of the outputs need to be delivered and funding drawn down by 28<sup>th</sup> February 2023 or we would have to return in excess of £5.5m of grant funding received or for which offers are in place.
- 4.4 To ensure that construction can start in time to deliver the outputs in line with the deadlines set by the funding bodies, the principal contractor needs to be able to place orders in advance for some items that have a long lead-in time. These are for steelwork, and for specialist piling and groundwork sub-contractors. The cost of these items will be around £500k and the Council will need to underwrite these costs until a

formal contract is in place, and this will allow the current construction programme to be maintained.

## 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 £12,622,261 and 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:

<b>Funding Source</b>	<b>Amount</b>
Denbighshire Capital Plan	£4,900,000
European Regional Development Fund	£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
Denbighshire Asbestos Revenue Budget	£252,000
<b>TOTAL</b>	<b>£12,622,261</b>

## **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, most recently on 7<sup>th</sup> February and 7<sup>th</sup> March 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 19<sup>th</sup> March 2018. Further support received at their meeting held on 22/10/2018 and 08/04/2019. Special WebEx meetings was held on June 23<sup>rd</sup> and July 6<sup>th</sup> 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, along with February 2022.

**Strategic Investment Group** - consulted on the proposal on the 30<sup>th</sup> 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 9<sup>th</sup> September 2020 and was supportive of the scheme on the proviso that the Rhyl MAG was 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 senior

representatives from the County Council and Welsh Government and they have met monthly since the inaugural meeting on 14<sup>th</sup> April 2021.

**Funding bodies** - officers continue to meet with Welsh Government officials fortnightly and have held numerous meetings with Welsh Government and Welsh European Funding Office throughout to ensure they are fully up to date with progress and to provide them with confidence about delivery and also to source additional funding as and when available.

## **9. Chief Finance Officer Statement**

As stated elsewhere any failure to complete the project within defined timescales would likely involve significant grant clawback. It is also clear the project will deliver significant regeneration benefits which will hopefully be the catalyst for further investment. The resultant asset will also remain in the ownership of DCC. As such Cabinet approved a revised Business Case on the 15<sup>th</sup> February which included additional funding. The procurement of a contractor for the construction phase will help ensure that this key project remains on track and minimises the risks to the project of grant clawback and as such all the recommendations are fully supported.

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

10.1 The key risks are as follows.

10.2 If a decision to approve the award of a Contract to the preferred Contractor via Delegated Decision is not received, then the project cannot be delivered as planned. This would result in the County Council not delivering the outputs required in line with the deadline set out in the grant award letter and the County Council would not receive the £3.350m European Regional Development Fund grant earmarked for the project. There is also a risk that some or all of the funding already received from other Welsh Government funding streams could be clawed back.

10.3 If the cost to the principal contractor of placing orders for items with a long lead time is not underwritten by the County Council then the outputs required by the deadline set by the funding bodies cannot be delivered.

10.4 If the recommendations are approved at today's meeting, then this will provide sufficient time to deliver the scheme and associated benefits by the deadline set by the funding bodies.

## **11. Power to make the decision**

Section 111 of the Local Government Act 1972