**BUSINESS CASE**

|  |  |
| --- | --- |
| **Project Sponsor** | Geof Muggeridge |
| **Project Manager** | Lyn Ware |
| **Version** | 1.1 |
| **Date** | 31/10/16 |
| **Project Start date** |  |
| **Project Completion Date** |  |
| **Author** | Bob Watson/ Lyn Ware |

**Document Control**

|  |
| --- |
| **Please read**A Business Case is required for all projects and should be completed during the ‘**Define**’ phase of the project. For large and complex projects this template should be fully completed and approved by the Project Sponsor. The approved Business Case can then be added as an appendix to the Project Initiation Document (PID), as well as a summary within the PID itself under the relevant section. For smaller projects a separate Business Case is not required. It is sufficient to complete the Business Case section within the PID. For guidance in completing the Business Case template, please refer to the ‘Business Case Guidance Notes’. |

**Document Change History**

|  |  |  |  |
| --- | --- | --- | --- |
| **Version** | **Status (Draft or Approved)** | **Date Issued** | **Comments / Reason for change** |
| 1.0 | Finance draft | 27/10/16 | Initial Finance Draft |
| 1.1 | Property Services review | 31/10/16 | Site specific details/ risks |
|  |  |  |  |
|  |  |  |  |

**Distribution**

|  |  |  |
| --- | --- | --- |
| **Name** | **Position** | **Organisation / Service** |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

**Approval**

|  |  |  |
| --- | --- | --- |
| **Name** | **Position** | **Date Approved** |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

Contents

[1 Executive Summary 4](#_Toc462926397)

[2 Strategic Fit 4](#_Toc462926398)

[2.1 Current Issues and Priorities 4](#_Toc462926399)

[2.2 Project Objectives 4](#_Toc462926400)

[2.3 Implications of not undertaking this project 4](#_Toc462926401)

[3 Options Appraisal 4](#_Toc462926402)

[4 Benefits 5](#_Toc462926403)

[4.1 Expected Benefits 5](#_Toc462926404)

[4.2 Expected Dis-benefits 5](#_Toc462926405)

[4.3 Benefits Realisation Plan 5](#_Toc462926406)

[5 Costs 5](#_Toc462926407)

[5.1 Costs 5](#_Toc462926408)

[5.2 Ongoing Revenue Costs 5](#_Toc462926409)

[6 Timescale 5](#_Toc462926410)

[7 Financial Viability 5](#_Toc462926411)

[8 Major Risks and Opportunities 6](#_Toc462926412)

[9 Recommendations 6](#_Toc462926413)

|  |
| --- |
| **Purpose of Document**The purpose of the **Business Case** is to provide the business justification for undertaking the project, based on estimated costs, against anticipated benefits and offset by any associated risks. A **Project Brief**, if previously completed, can be developed into a detailed Business Case.The Business Case in an important document in testing the project’s continuing viability and should therefore be reviewed and updated throughout the life of the project. If the project should become unviable for any reason (eg due to significant rise in costs), this should be escalated to the Project Sponsor and Project Management Board to make a decision on whether the project should be closed. Please note that if a project is closed prematurely, the phases within the ‘**Close**’ stage of the project should still be followed eg a **Project Completion Report** must be completed to ensure the Council capture and benefit from the lessons learned.   |
| 1 Executive Summary*Provide a summary of the key points in the Business Case, highlighting the important benefits and return on investment along with any suggested recommendations.* |
| This business case addresses the options for possible ways to utilise the vacant ex-WRVS site at The Bury in Rickmansworth.The site is located just off an entry road to the junction of Bury Meadow and Bury Lane, within residential community. The Bury is positioned in the heart of Rickmansworth with close proximity to the town centre with nearby transport facilities leading to the M25, Watford and neighbouring towns.On the expiry of the lease of the site at The Bury in Rickmansworth, ownership of the land and the building thereon reverted to the Council. The Council therefore needs to consider the use of this site and the options to maximise its return on this land/property. The options to be considered in this business case are:* Do nothing/do minimum. It is always good practice to consider this option in a business case as a benchmark for the other options.
* Disposal of the site for a capital receipt.
* Use the site for commercial rent (in its current condition)
* Clear the site and use for modular accommodation to help alleviate the pressure on the Council’s temporary accommodation budgets.
* Clear the site and use for private market rent.

As with many business cases, some of these options can be ruled out for logical and viability reasons, and others will need a financial appraisal to assess which offers the best solution to the Council. |
| 2 Strategic Fit |
| 2.1 Current Issues and Priorities*Highlight the issues to be addressed and include the corporate priorities and aims that will be met by undertaking the project.* |
| Along with many other councils, Three Rivers District Council (TRDC) is facing a significant reduction in funding from central government over the medium-term financial plan. The Council therefore needs to utilise the assets it has to either find ways of reducing the areas of financial pressure on its budgets or by increasing the level of income generated from its assets.  |
| 2.2 Project Objectives*List the key project objectives.* |
| The Council needs to utilise a currently redundant and moribund asset and in doing so improve the Council’s current budget position by either alleviating costs, increasing revenue income or achieving a capital receipt. The preferred option, whilst alleviating some of the financial pressure on Housing services, also provides much needed local housing solutions within the district. |
| 2.3 Implications of not undertaking this project*Describe the implications for the Council of not undertaking the project.* |
| The Council will fail to make the best use of a local asset and could incur future costs. See “do nothing/do minimum” option. |
| 3 Options Appraisal*Provide details of the options considered, including the ‘Do Nothing’ option, and state the preferred option with clear justifications for the recommendation.*  |
| **Option 1. Do nothing/do minimum**. This would mean leaving the site and building as it is, or doing minimal repair work. In current condition the building has limited use and value and it will continue to fall in to disrepair. This could create health and safety issues, as the Council has a duty of care to keep the site in a reasonably safe condition. The site may become a target for anti-social behaviour and could be considered by some to become an eyesore and a blight on the town. This will involve some cost, kept to a minimum for no return to the Council. **This option is not recommended**.**Option 2. Disposal of the site for a capital receipt**. Selling the site in its current condition would generate a notional capital receipt of £450,000. This would be used to support other council capital projects and would generate a minimal investment return in the interim. This option could be considered if the Council’s priorities are for capital return. This option would incur minimal cost in terms of sales and marketing and officer resource. Consideration could be given to the Council clearing the site prior to disposal, although it is likely with a market disposal the increase in value would only reflect the cost of clearing the site. It may be considered worth doing the clearance and preparation if there is a risk of previous contamination and by doing so the Council mitigates the risk which could enhance the value more. This would require more work by Council officers and would need a budget of 30k for the clearance work. The site value would increase as it could accommodate up to four houses at maximum; depending on configuration and physical features (type of property, gardens, car parks etc.). However, any residential development on this land would need to factor in feasibility of the development. This should include environment, planning, community and cost implications.**Option 3. Use the site in its current condition with the building as commercial premises**. Indications are that there is an interested party willing to pay between £3,000 and £3,500 per year for a 10-year lease. This does represents a return of just over 0.75% (based on the notional valuation). This option is not recommended on financial grounds. There are potential benefits to the town centre in that it may increase footfall with staff being employed within the organisation. But to achieve this use, 30k would have to be spent to bring property to minimum accepted standard thus outweighing any returns. **Option 4. Clear the site and use for modular accommodation to help alleviate the pressure on the Council’s temporary accommodation budgets**. The council has an increasing pressure on its temporary accommodation and homelessness budgets. It has a statutory duty to provide accommodation for homeless persons, including those made temporarily homeless. If the council cannot place these in its existing accommodation or with landlords, then the alternative is to use Bed and Breakfast at a high level of cost to the Council. The Council will receive Local Housing Allowance from the Government (capped at £150 PW plus a management charge of £16; the cost of temporary bed and breakfast accommodation can run to £350 PW. Currently Housing are predicting a pressure of £300,000 in 2016/17 on temporary accommodation and this is anticipated to continue into future years. Demands on the Council’s statutory duty to provide accommodation for homeless persons will be further increased by the Homelessness Reduction Bill that passed its second reading on 28/10/16 in the House of Commons, but it should be noted before this added impact that our current demand for Temporary Housing has risen from 30 in April 2015 to 75 in September 2016.Based on Property Services estimates, ten ‘one-bed’ flats and seven ‘two-bed’ flats could be built on the site at a cost of just under £1.2 million. On the assumption of occupancy as per beds, this would create 24 units available for the Housing service to use. This would generate approximately £140,000 net income for the council and also a £200,000 reduction in B&B costs each year. This indicates payback within four years. If the occupancy rate were to increase then the level of income would rise and thus payback could be sooner.**Due to the revenue income stream this provides and the part-mitigation of the current housing pressures, this is the officer recommended option**. **Option 5. Clear the site and use for private market rent/private sales housing**. Indications are that the site could facilitate four private dwellings. Clearance and construction would be in the region of £750,000 and create a revenue stream of £33,600 per annum. Although this represents a reasonable return it would not ease the pressure in the Housing service on temporary accommodation. |
| 4 Benefits |
| 4.1 Expected Benefits*List the expected benefits the project will deliver in measureable terms.*  |
| If the recommended option is followed, the Council would expect to achieve an annual rental income stream of £140,000 (net) and a potential reduction in the cost of temporary accommodation placements of £200,000 each year. There would also be a benefit of placing more families within the District near to their support network whilst supporting the statutory requirement to provide accommodation for homeless persons.  |
| 4.2 Expected Dis-benefits*List the dis-benefits (i.e. outcomes perceived to be negative by one or more project stakeholders).*  |
| The Council would forego a capital receipt of £450,000. It must be noted that the Council will still own the freehold of the site and could realise a receipt (possibly enhanced) at any time. |
| 4.3 Benefits Realisation Plan*Outline the plans to manage the delivery and realisation of benefits.*  |
|  If the budget is approved, then the capital programme will be increased to include the cost of the project. Similarly a revenue income budget will be created in the MTFS to account for the rental stream. The pressure on Housing services budgets for temporary accommodation will be carefully monitored to ensure that this scheme positively impacts on the variance.  |
| 5 Costs |
| 5.1 Costs*Provide details of all project capital and revenue costs. Please also state how the project will be funded.* |
| Capital Outlay is expected to be £1.2 million, funded as part of the Council’s capital programme (i.e. from capital receipts).  |
| 5.2 Ongoing Revenue Costs *If there are likely to be ongoing revenue costs, please provide the details. Please also state how these costs will be met.*  |
| Revenue income will be £186,000 p.a. The Council estimates the cost of a management fee (including maintenance) will be £46,000 p.a.  |
| 6 Timescale*Provide a summary of the project plan – the period over which the project will run and when the benefits will be realised.*  |
| From the time of budget approval residents will be in the properties within one year. |
| 7 Financial Viability*Compare the total costs against the benefits and dis-benefits in order to define the value of the project as an investment.*  |
| This project provides payback within four years (if you consider the saving in the Housing pressure). The project would pay back within ten years based on the rental streams, and it could be financed by use of internal borrowing (from the Council’s cash balances). |
| 8 Major Risks and Opportunities*Provide details of the main project risks and opportunities.* |
| **Risk Detail** | **Level of risk** | **Required actions** | **Risk Owner** |
| **Likelihood (L)****1-4** | **Severity (S)****1-4**  | **Total Score****(L x S)** |
| Overrun in cost and time | 2 | 1 | 2 | Tight project control | Prop Svc |
| Delay in obtaining or rejection of planning permission | 2 | 1 | 2 | Design to be fitting to the local surroundings  | Prop Svc |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| 9 Recommendations*Summarise your recommendations for the project including the preferred option for delivery.*  |
| That the Committee approve Option 4 |