

## Draft Determination Representations

WSH.DD.CE.7

Public Value Initiatives

Customer Access and Recreation for PR19

30 August 2019

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## 1. Summary

This document describes the business case for investment to improve customer access and recreation during AMP7. Dŵr Cymru proposes to spend £12.3m to provide access and a new visitor centre and water sports infrastructure at Llanishen and Lisvane reservoirs in Cardiff, together with modest upgrades to our other public-access sites across Wales.

This investment will be instrumental in delivering our proposed performance commitment for visitor numbers in AMP7. It will be a significant contributor to our fulfilling our statutory obligations to promote recreation and to promote biodiversity in the AMP7 period. It also presents an important public value benefit to our customers and communities, supporting Welsh Government objectives to improve the long-term well-being of the people of Wales.

Our proposals demonstrate clear customer support for the planned investment. All expenditure has been subject to rigorous cost-challenge during optioneering and provides the best possible value for money for our customers.

The delivery of new visitor facilities, and the sensitive management of designated features in their local environment delivers commitments made in our statutory Biodiversity Plan. The plan has the strong backing of the Welsh Government, which has offered nearly £1 million of grant funding to support the Cardiff scheme.

## 2. The need for cost adjustment

The proposed public access and recreation investments are an important contributor to Dŵr Cymru meeting two of its statutory obligations in the AMP7 period:

- i) Dŵr Cymru has a statutory duty under section 3(5) of the Water Industry Act 1991 “to ensure that (the) water or land is made available for recreational purposes and is so made available in the best manner”.
- ii) Dŵr Cymru also has a statutory duty under section 6 of the Environment (Wales) Act 2016 “to maintain and enhance biodiversity in the exercise of functions in relation to Wales, and in so doing promote the resilience of ecosystems, so far as consistent with the proper exercise of those functions”

In addition, recreational and environmental services form an important part of Dŵr Cymru’s promotion of wider *public value* for its customers. The Well-being of Future Generations (Wales) Act 2015 sets out seven, common well-being goals, which Dŵr Cymru and public bodies are expected to enhance by working closely together to co-create “systems based” solutions. The proposed public access and recreation investments would help to promote all of these well-being goals, most notably:

- a Resilient Wales (biodiversity)
- a Healthier Wales (recreation and social prescribing)
- a more equal Wales (access to sport for people with disabilities)

- a Wales of cohesive communities (local reservoir support groups).

In recent years, we have intended to fund our planned capital investment improvements in our access and recreation offering to customers from return of value to customers, i.e. from funds that in any other company would be used to provide shareholder dividends.

The Draft Determination by Ofwat, and in particular the very significant reduction in the allowed rate of return (WACC), means that this return of value to customers will be severely constrained in AMP7. This comes at a time when expectation upon the company from customers and Welsh Government to play our part in delivering outcomes that support the well-being of the people of Wales is growing.

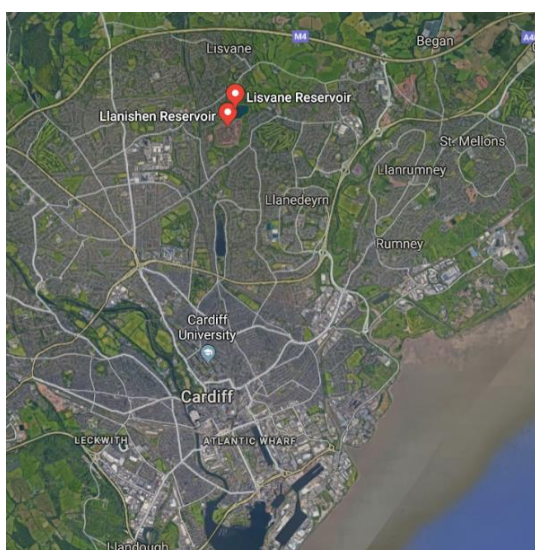
For this reason, we are now proposing to Ofwat that funding provision should be made in our PR19 business plan to support commitments that have been made to our customers.

This business case sets out the need and context for £12.3m of expenditure in AMP7 to provide enhanced access and recreation for our customers, particularly at a new site in the centre of Cardiff, and in so doing make a significant contribution to development of the regional visitor economies and the health and well-being of the people of Wales. Tourism has been identified as one of four foundation sectors of the Welsh economy by Welsh Government and Welsh Government have offered nearly £1 million of grant support for the Cardiff project.

### 3. The need for investment

The need for investment primarily relates to our plans for Llanishen and Lisvane reservoirs in Cardiff. These assets have recently come back into Dŵr Cymru ownership, having transferred to Western Power and Distribution with the sale of Hyder Plc in 2001.

Following their purchase in 2016 by Dŵr Cymru, the reservoirs have been undergoing significant repair and refurbishment and, with this nearing completion, we are now reaching a position where we can open the site for public access and recreation.



The site is unique to Dŵr Cymru because of its location within Cardiff City boundaries, providing opportunity for very large numbers of our customers to access green space and outdoor recreation within an urban environment.

Distance	Population	Households
Upto 20 mins	676,891	275,813
Upto 40 mins	1,507,615	619,162
Upto 60mins	2,890,407	1,200,560
Overnight Tourists	1,050,000	-

The site is located in an easily accessible part of North Cardiff and up until 2010 had traditionally provided access for walkers and water sports with very basic facilities. The

surrounding area has been earmarked for significant housing development and it is crucial in order to meet the needs of our customers and to protect the site's special features that any development planned at the site can accommodate the anticipated future demand. In addition Cardiff Council consider the location a valuable link in their greener travel plan with cycling paths connecting to the site.

The proposal is for visitor hub to provide catering, toilets, and training, change and shower rooms to support water sports activities. This will provide commercial revenue streams to support the ongoing costs of public opening and staffing, protecting, maintaining and caring for the site. Once completed the site will become an integral part of DCWW's visitor attraction portfolio.

We also plan to make investment in some of our other reservoir assets including Elan and Llyn Brenig where the existing visitor facilities require modernisation to meet the increasing demands of our visitors; and also at a number of smaller sites including Lower Lliw, Upper and Lower Lleidi (Swiss Valley) and Llyn Alaw. These smaller sites are open to public access with minimal facilities and, in general, investment at these locations will be to improve signage and interpretation for visitors together with access and infrastructure works to make paths easier and safer to use for all our visitors. For example at Lower Lliw reservoir near Swansea we plan to:

- Create a new nature trail.
- Introduce nature play elements
- Undertake access road improvements
- Provide fencing to minimise the impact of visitors (and their dogs) on the surrounding farmland
- Widen the informal paths and take out awkward cambers and levels
- Improve surfacing on the footpaths around the Lower Lliw
- Improve drainage on all paths where required
- Replace the bridge and boardwalk at the upper end of the Lower Lliw
- Replace seating areas on the footpath around the Lower Lliw to coincide with bench cutting
- Create a new multi-use path nearby woodland and surface it
- Removing obstructions in the form of unnecessary gates etc
- Install bridle gates

The scale of the investment at these dispersed sites reflects the lower-intensity use that is made of the facilities because of their more remote location. Market modelling has been undertaken to understand the visitor catchment for each site.

#### 4. Management control

The provision of recreation is clearly within the management control of Dŵr Cymru. However, having acquired Llanishen and Lisvane reservoirs we now have to deliver our access and recreation duty.

In developing our plans for Llanishen and Lisvane we have therefore been mindful of our duty to make the water and land at the site available for recreation in “the best manner”, whilst also ensuring value for money.

To this end we have consulted widely with local residents, Health Boards, wildlife trusts, other environmental NGO’s and Cardiff City Council - who consider the site of particular importance to maintain a “green wedge” of environmental and recreational land within the confines of the urban city boundaries. Natural Resources Wales have also provided valuable advice to support development of the site, in order to facilitate access and environmental education and awareness of the site which has two Sites of Special Scientific Interest (SSSI).

Because of its central location the site has the potential to attract large number of visitors from the immediate locale, wider Cardiff area and further afield. As such we need to ensure that the proposed facilities are in keeping with landscape of the location, will protect the site’s special features and will provide a variety of facilities to meet the different needs of our customers.

The development will allow access to and recreational use of 110 acres of green and blue space including:

- 4,500m of circular paths;
- Signage, interpretation and nature trail;
- Conservation zones;
- Bird hides;
- Learning zone;
- Water sports infrastructure with an access for all ethos enabling able bodied and disabled sailing, youth development and training.

And also the provision of a Visitor Centre with cafe, changing facilities, function and meeting rooms.

In formulating our plans for the site we have been rigorous in our design, project management, and cost management approach. We have also considered the future operational requirements of the facilities by reference to our existing sites. We have engaged a leading architectural practice, through a competitive procurement process, and have established a design team which has worked closely with our cost managers from Turner and Townsend to develop detailed cost plans for the proposed works currently at RIBA stage 3/4. Our cost managers have benchmarked the costs against our previous projects and also external projects and we continually test ourselves to validate the benefit against the cost for each aspect of the proposed development.

We will undertake robust competitive procurement processes for all aspects of the scheme, where appropriate under the requirements of the Utilities Contracts Regulations 2016.

To deliver additional value for our customers we have also sought, and been awarded additional grant funding from Welsh Government in the form of an Enabling Natural Resources and Well-being (ENRAW) grant for £932k. This additional funding allows us to enhance our offering and deliver additional benefits to our customers. Specifically the ENRAW funding will enable us to support:

- Sustainable development – enabling the use of natural resources to promote health and wellbeing, whilst protecting and enhancing where possible, the biodiversity interests of the site;
- Collaboration - a wide range of organisations from different sectors working collaboratively to deliver shared ambitions for the site;
- Enabling public access and recreation - through the development of green and blue infrastructure, the creation of circular paths, the installation of bird hides, signage, interpretation and nature trail and conservation zones;
- Enabling learning - through the creation of a learning zone with a Welsh roundhouse and outdoor classroom as a resource for education and wellbeing groups;
- Community engagement - partners and collaborators working together to co-create and deliver a community engagement programme to support the delivery of environmental, health and wellbeing goals. The programme will include volunteering, signage and interpretation, education, events and social prescribing strands.

## 5. The best option for customers

The proposal to open Lisvane and Llanishen reservoirs and provide a visitor centre is clearly aligned with priorities expressed by our customers, as are the more modest proposals to enhance facilities and access at our more remote sites.

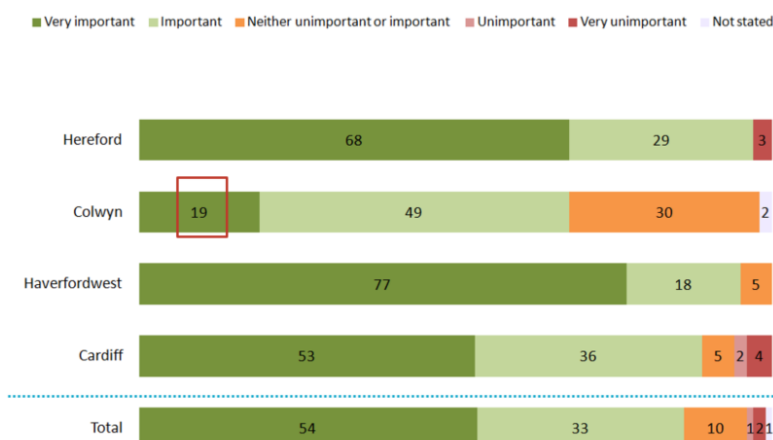
In our performance measures research in 2016 (Accent) visitor centre numbers were deemed to be of high relevance and demonstrates commitment to education and the Welsh community.

In our qualitative research on performance targets in 2017 (Accent) we have evidence of strong support from customers (at 87%) for provision of recreational and educational facilities.

## Recreational and educational facilities

Participants consider it important that Welsh Water focuses on recreational and educational facilities, with 87% finding it either very important or important

Significantly fewer in Colwyn see this as very important



73 Q7; Base: all participants (180)

Accent

In 2018 we also commissioned independent visitor research at key sites to enable us to build up a visitor profile, evaluate the quality of the visitor experience and benchmark against a comparator set of leading UK attractions owned by National Trust, Wildfowl and Wetlands Trust, Forestry Commission and the Royal Botanical Gardens. Key findings from this research were that:

- 68% of visitors are on a day trip from home
- 61% of visitors live in Wales
- All sites attract higher than average lower social grades than the benchmark average
- 16% of visitors report having a disability, significantly higher than the benchmark
- Visitors' key motivations are to engage with nature (67%) or for a social reason (56%)
- 53% of visitors to all sites rated their experience as excellent in terms of improving their wellbeing

All of this research shows that our customers value the facilities we provide.

In recognition of this clear support, and the potential number of visitors we could attract to the Llanishen and Lisvane site, we have then engaged with our customers through local action groups, community hubs, suggestion boxes and on line to understand the facilities that they would like provided at the site and we have considered a number of options to deliver best value for our customers.

The proposed visitor centre will include the following:

Café/restaurant capable of seating a minimum of 100 covers located adjacent to a function room, which could also be used as an extension to the café during peak times and a full prep



kitchen. (The size of the café and number of covers has been benchmarked against our existing visitor centres and with destination management consultants).

- Outside terrace with a view over the reservoirs.
- Changing Rooms,
- Training /Meeting Rooms
- Equipment/wet suit storage
- Staff/BOH space.
- Separate Boat Storage

We required that consideration should be given to potential expansion in order to future proof the site and this has been taken into account in the development options considered.

Additional facilities and external works include:

- Access road and junction widening and provision of a footpath and cycling path.
- Car park construction
- Paths around the top and bottom of the dam
- Slipway
- Pontoon
- Separate boat storage
- Bird islands
- Bird hides
- External Education shelter
- Landscaping

We have been through a robust process of options appraisal and consideration of value delivered for customers in reaching this preferred design.

The ground area available for development of the visitor centre is quite restricted and plans have been developed to maximise the views across the reservoir, access and proximity to the water, car parking and servicing requirements. The design has also taken account of the topography of the site, restrictions related to dam safety i.e. proximity to the dam wall, construction methodology and location of underground assets. The site also contains two SSSI's and an ancient monument, designation.

Within these constraints we have considered a number of options for the visitor centre development at the site. The requirements for external works including road widening, car

parks, paths and water sports infrastructure are common so that we can provide the required access to the blue/green elements of the site.

Option 1: Ranger hut for security and minimal toilet facilities. This would provide public access without recreational facilities, it would not allow the generation of revenue from the site and would fall short of the facilities expected by our customers and provided at our other recently developed sites at Llandegfedd and Llys y Fran. (£1.1m)

Option 2: Single story building providing café facilities only (£6.4m)

Option 3: Single story building providing water sports facilities only (£7.2m)

Options 2 and 3 would provide either visitor or water sports facilities, again this would fail to meet the requirements of our customers and would restrict the opportunity to maximise revenue generation. The single story building would not have views over the reservoirs and would fall short of the facilities provided at Llandegfedd and Llys y Fran.

Option 4: Two story building providing café and water sports facilities without function room, group change and excluding future proofing for expansion. Option 4 provides a good range of amenities without any future proofing or expansion potential. The lack of a function room and group change reduces the offering, limiting the numbers of customers that can be served now and in the future and would restrict revenue generation (£9.5m)

Option 5: Two story building providing café and water sports facilities including a function room and group change, excluding future proofing for expansion. The size and amenities of Option 5 are considered viable to meet the immediate needs of the site, however, the lack of future proofing for expansion is a significant restriction particularly in view of the relatively small incremental cost. (£10m)

Option 6: Two story building providing café and water sports facilities including a function room, group change, future proofed for expansion. Option 6 provides a viable solution with due consideration taken of future needs. (£10.1m)

Option 7: Two story building providing café and water sports facilities including a function room, group change, future proofed for expansion with access to roof terrace. (£10.5m)

Option 8: Two story building providing café and water sports facilities including a function room, group change with fully operational roof terrace providing additional seating and covered function space. (£10.9m)

Options 7 and 8 provide for an accessible moving to fully operational roof terrace. This would enable the maximum use of the site and the visitor centre but at an increased capital cost.

Option 6 was selected as the preferred option at £10.1m including £4.7m for the building, £5.4m for external works, facilities and fees.

Once we move beyond the provision of bare facilities enabling a limited visitor offering and minimal visitor numbers the requirement to invest in site infrastructure is a pre-requisite. The provision of an access road, car park, services and landscaping is required, the cost of

which is largely consistent across the various visitor centre building options. This costly work, like the remediation and reinstatement work is broadly invisible to the visitor but is vital to enable the full use of the Lisvane and Llanishen reservoir site.

The cost per square meter of the Option 6 Visitor Centre has been benchmarked and is comparable with the construction costs of our visitor centres and other similar facilities. The fit out and fabric of the building has been specified for its particular needs with public facing elements of a higher quality standard and durable utilitarian finishes in less visible areas.

The design of the building whilst architecturally exciting is simple in building terms although the construction methodology clearly has to take account of the proximity to the reservoir and the topography requires a pedestrian footpath bridge linking the building to the top of the dam. The café is located on the first floor to enable views across the reservoirs and the balcony provides additional covers and desirable seating in warmer months. The future proofing of the building, which includes upsizing the steel frame and footings and strengthening the roof loading, provides for accessible access to and use of the roof in future years to act as a viewing platform, additional seating and meeting area.

The consideration of natural capital and potential impacts upon the environment are of paramount importance to Dŵr Cymru. We are under a specific duty under s6 of the Environment (Wales) Act 2016<sup>1</sup> to maintain and enhance biodiversity in the exercise of our functions, and a wider duty under the Countryside and Wildlife Act 1981 to further the conservation and enhancement of SSSI's in our care. Our Statutory Biodiversity Plan contains specific commitments to:

- Explore the role of "Friends of" and other community groups who might adopt and help us to manage some of our sites.
- Look for new opportunities at our Visitor Centres to support nature and to engage the public with the natural environment.

These commitments have been specifically considered and addressed in the formulation of our plans for the Llanishen and Lisvane site.

The site has two SSSI designations for over-wintering wildfowl and fungi. These designations place a number of restrictions on our ability to use parts of the site at different times of the year necessitating additional access restrictions, environmental mitigation and ecologically sensitive construction methods particularly in relation to the path construction. The Cadw designation which covers the reservoirs, dams, paths, steps, spillway, bywash, also places additional design and construction requirements on the project. The recent adoption in Wales of schedule 3 of the Floods and Water Management Act and the location of the building close to the bywash has resulted in the requirement for an enhanced drainage solution. These factors have a cost implication beyond management control.

In addition, we have made a commitment within our 'Welsh Water 2050' strategy to support delivery of the wellbeing objectives set by Welsh Government in the Well-being of Future Generations (Wales) Act 2015.

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<sup>1</sup> "A public authority must seek to maintain and enhance biodiversity in the exercise of functions in relation to Wales, and in so doing promote the resilience of ecosystems, so far as consistent with the proper exercise of those functions."

The Act places a sustainable development duty upon public bodies in Wales. Within the Act “sustainable development” means *“the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the well-being goals<sup>2</sup>”*.

Whilst Dŵr Cymru is not a public body for the purposes of the Act we must collaborate closely with public bodies (notably Natural Resources Wales, health boards and local authorities) on whom the Act does apply for the wider wellbeing and benefit of our customers.

Thus in formulating our approach to access and recreation we have had regard to the seven wellbeing goals for Wales. With specific regard to the proposed development at Llanishen and Lisvane we have considered the contribution we can make to each goal:

**A prosperous Wales** - The project will create a new outdoor recreation facility in an area where many of the more traditional industries are declining. Statistics show that outdoor recreation is a growing economic sector with walking alone generating £562m to the Welsh economy.

**A resilient Wales** - The project will help maintain and enhance a biodiverse natural environment with healthy functioning ecosystems through management and enhancement of the SSSI features and a detailed site management plan to underpin the resilience of local biodiversity.

**A healthier Wales** - By developing new opportunities for people to walk on their doorstep and increasing access to water sports for all abilities the project will promote significant health benefits for all. Collaboration with local health boards, GP surgeries and referral agencies provides opportunity to support the social prescribing of health walks around our reservoirs, water sports activities and volunteering.

**A more equal Wales** - The site will be open to all and free to enter. It will provide access for local people and tourists to enjoy local wildlife and the natural environment. Marketing strategies and products will be designed with end user in mind ensuring that the needs of all are taken into account. Dŵr Cymru will work with user groups such as local disability access groups to ensure that their needs are reflected in the design of the trail developments. We are working with the Alzheimer’s Society to become a dementia friendly organisation and staff at our visitor centres have been trained by the Alzheimer’s Society to create visitor attractions which are dementia friendly. Sailing is one of the very few sports in which able-bodied and disabled sailors can participate on equal terms. Our RYA Sailability courses will introduce young people and adults with disabilities to sailing.

**A Wales of cohesive Communities** - Through the creation of new employment and training opportunities the project will contribute towards ensuring that the local area remains as attractive, viable, and well-connected community. In addition, Dŵr Cymru is supporting the creation of a ‘Friends of Lisvane’ group consisting of local residents and special interest groups to develop and deliver biodiversity and educational projects.

**A Wales of vibrant culture and thriving Welsh language** - All publicity, advertising and interpretation material for our visitor attractions will be produced bilingually thus promoting

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<sup>2</sup> Well-being of Future Generations (Wales) Act 2015 s2

the importance of the Welsh language and enabling people to access services in the language of their choice.

**A globally responsible Wales** - All activities developed as part of the proposal will have low impact on the environment. The project will open up areas around the reservoir thus encouraging visitors to take a greater appreciation of local biodiversity as well as the natural environment.

In recognition of the scale of the investment we plan to undertake at Llanishen and Lisvane reservoirs we have been through a robust analysis of risk. In addition to our own internal controls, the risk register has been subject to external scrutiny by Welsh Government as part of the ENRAW grant application process prior to the successful award of funds.

## 6. Robustness and efficiency of costs

The investment proposal for £12.3m of expenditure in AMP7. This is broken down between the major investment at Llanishen and Lisvane and other sites as below:

<b>Access and Recreation Investment AMP7</b>	<b>£m</b>
Llanishen and Lisvane	10.1
Other sites across Wales	2.2
<b>Total</b>	<b>12.3</b>

The robustness and efficiency of the investment for Llanishen and Lisvane will be supported by a detailed monitoring and evaluation plan.

On a monthly reporting cycle the externally appointed Project Manager from Chandler KBS will monitor project expenditure against the activity schedule and budget, current position, changes in the period and any deviation from planned expenditure or variances in forecast total cost. The project programme will also be updated monthly and any deviation from previous period will be highlighted. A change control process will be in place to ensure that any change to scope is recorded, tested against the project needs and approved by the budget holder. The engagement of both Turner and Townsend and Chandler KBS as Cost Managers and Project Managers respectively provides us with access to two high quality third party organisations for both the original cost estimating and also on-going value assurance we consider vital for this project.

Risk Management reviews will be undertaken by the project team on a monthly basis and will also be discussed in a monthly project report and escalated as appropriate to the monthly Capital Programme Group and Executive.

Monitoring and evaluation has been designed into the programme at the beginning to ensure that impacts are captured and mechanisms for measurement are in place.

In addition, evaluation of outputs, outcomes and benefits will be monitored and evidenced throughout the project as follows:

- An audit of the site and facilities will be undertaken at the outset of the project. This will form the baseline against which the green infrastructure outputs of the project can be monitored and measured. There will then be an audit of the site and its facilities at the end of the project.
- The special features, habitats and species positively managed in SSSI and SINC sites will be monitored and assessed in line with the Site Management Plan, which is currently in development with NRW. Existing ecological surveys and assessments provide the baseline against which the protection, maintenance and enhancement of biodiversity outcomes can be measured.
- Counters will be installed at all entrances to measure and record visitor numbers and modes of transport. In this way visitors arriving by foot, bicycle or car can be monitored and recorded.
- Provision and bookings for water sports activities – tasters, courses, clubs and events will be recorded.
- Data will be recorded on community outcomes in terms of provision and use for:
  - Number of volunteers and volunteering hours
  - Number of education visits and visitors
  - Number of community engagement events and attendance
  - Number of social prescribing opportunities
  - Feedback from participants
- An annual programme of visitor research will be undertaken to understand:
  - Who is visiting – including demographics and origin
  - Site relationship – including previous visits, frequency of visit.
  - Why they are visiting – including visit purpose, visit motivation and information influencers.
  - What visitors do on site – including specific activities and dwell time
  - How they rate the visit – overall enjoyment, value for money, emotional outcomes, health and wellbeing
  - Pleasure points and pressure points.
  - Post-visit behaviour – including propensity to recommend, propensity to revisit and other activity.

Seasonal surveys will be carried out to collect data at different points throughout the year. This will enable us to build a visitor profile, evaluate the quality of the visitor experience and inform site improvement plans, community engagement and investment priorities moving

forward. Findings will be benchmarked against a comparator set of leading nature based attractions.

NEF Consulting has been contacted to provide a quote for evaluating the project and its impact. The evaluation will be based on Social Return on Investment (SROI) principles. This involves identifying key stakeholders, mapping the social, environmental and economic outcomes, developing indicators, collecting data to measure these outcomes and presents the social impact arising from the site. Through the evaluation of the impact of the ENRAW project, DCWW aims to develop a model for measuring social return on investment that can be used to evaluate its other visitor attractions.

The principles of this approach will be adapted at appropriate scale to monitor the delivery and evaluation of investment at our smaller, more remote sites.

## 7. Customer protection

Dŵr Cymru has made a specific performance commitment on the numbers of people that will be able to benefit from the facilities we provide<sup>3</sup>. The provision of a new visitor centre at Llanishen and Lisvane reservoirs, together with modest improvements at our other sites is essential for us to meet the performance target which includes 180,00 predicted visitors for the Llanishen and Lisvane centre.

Llanishen and Lisvane in particular provides a unique opportunity for us to engage with, and provide wellbeing benefits for, our more disadvantaged customers in the urban communities of Cardiff.

To protect customers from the unlikely event of the project being cancelled for reasons beyond our control, we propose a specific customer protection outcome delivery incentive (ODI). Full details of the measure are included in the revised performance commitments definitions document. It is our intention to return in full to customers the allowed totex for this programme should the project not go ahead.

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<sup>3</sup> Ft11 Visitors to recreational facilities