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**CARDIFF COAL EXCHANGE**

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**Purpose of report**

1. To prepare Members for an item considering the Cardiff Coal Exchange, providing background and historical context to the building and setting out recent developments.

**Scope of the Scrutiny**

2. According to the Centre for Public Scrutiny<sup>1</sup>, the ‘four cornerstones of public scrutiny’ are that the practice of scrutiny:
  - Is led by ‘independent minded governors’ who own the scrutiny role;
  - Presents a ‘critical friend challenge’ to the Executive;
  - Represents the views and concerns of the citizen; and
  - Leads to the improvement of public services.
3. This framework was built upon in 2013, when the Welsh National Scrutiny Officers’ Network published “The 15 Characteristics of Effective Scrutiny in Wales<sup>2</sup>” (subsequently endorsed by Wales Audit Office, the Older Person’s Commissioner for Wales and others), which were designed to ensure that scrutiny led to:
  - Better Outcomes for the area;
  - Better Decisions for the organisation; and

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<sup>1</sup> [www.cfps.org.uk](http://www.cfps.org.uk)

<sup>2</sup> <https://www.cardiff.gov.uk/ENG/Your-Council/Councillors-and-meetings/Scrutiny/Documents/Guidelines%20for%20effective%20Scrutiny%20in%20Wales.pdf>

- Better Engagement with citizens.
4. The condition of the Coal Exchange has been a matter of public concern in recent years, which this Committee has monitored. Previous scrutiny has considered the potential future uses of the Coal Exchange, the public's interest in the building, the proper role of the Council and of other partners in safeguarding the building's future, and more widely of Butetown's suite of heritage buildings.
  5. The Council Leader made a commitment to the Committee in April 2016 to bring an item on the Coal Exchange to a future meeting of the Committee. Plans have since then emerged for the development of the property, which have prompted further debate.
  6. Although the City of Cardiff Council does not own the Exchange building, it has worked closely with previous and current owners to seek to deliver a sustainable future for the building, and public commentators have indicated an expectation that the Council should play a role within its power to safeguard the building.
  7. At this meeting, Members will hear from a wide range of relevant stakeholders on the plans for the building's future, and on the basis of the evidence received will provide their observations and advice to the Council Leader.

### **Background to the Coal Exchange**

8. The Coal Exchange was built between 1883 and 1886, and may be considered as one of the most important historic buildings in Wales. The building was the centre of the international coal trade, where businessmen – owners of shipping firms, coal mines and allied businesses – met to fix deals. The world price for coal was set here, and the first recorded million-pound business deal was struck on the premises.
9. The Coal Exchange closed in 1958 following a downturn for demand for coal. In 1975 the Coal Exchange building was designated Grade II\* listed building status.

Its official listing recognises the building as *‘one of most historically important commercial buildings in Wales, illustrating the region’s immense commercial power in late 19th and early 20th centuries.’* The principal listed assets include the Exchange Hall, the original entrance lobby, the ground floor dealing rooms, the stone elevations and parts of the roof-scape.

10. Mount Stuart Square, where the Coal Exchange is located is also designated as a conservation area. Designated in July 1980, the conservation area contains a high concentration of listed buildings including some of the city’s finest examples of late 19th and early 20th century commercial architecture.

11. Through the 1970s and 1980s a number of proposals came forward for the use of the Coal Exchange including one for the building to host the prospective Welsh Parliament, but no major developed plans materialised. In the late 1980s the Coal Exchange came into the ownership of the Cardiff Bay Development Corporation (CBDC), which led to a refurbishment and the Coal Exchange being used as a venue for music concerts, weddings and other functions.

### **Coal Exchange Closure**

12. In 2013 the Coal Exchange was closed to the public following concerns as to the buildings structural integrity and safety. ‘Saving the Coal Exchange’<sup>3</sup> - a report taken to Cabinet on 29 January 2014 gave the following detail as the why this occurred;

*“[...] discussions prompted the Council to commission RVW Engineers to undertake a detailed structural review of the building to determine its current condition and to provide a basis for valuing the building.*

*RVW’s work uncovered the very serious state of disrepair that the building had fallen into, and highlighted a series of issues requiring immediate attention to make the building safe. In particular the South*

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<sup>3</sup> Saving the Coal Exchange – Cabinet Report – 29 January 2014 – paragraphs 10-19  
<http://goo.gl/SSn2IA>

*East wing facing the main entrance was found to be in a critical condition and in immediate danger of collapse and the North West façade to also be in imminent danger of collapse.*

*The Council's Building Control department was first informed of the condition of the building on 2 May 2013 through the provision of the initial draft summary of the report being prepared by RVW Consulting.*

*Further to this, the Council's regulatory services inspected the building with the city's Fire Officer. Following this inspection the Fire Officer issued a prohibition notice and closed large areas of the building with immediate effect. In addition the Council's public protection unit also issued notices to prohibit the use of the Exchange Hall by the public.*

*The Council had to act in the interest of public safety and took action under the emergency powers contained within Section 78 of the Building Act 1984. This relates to emergency measures being required to deal with a dangerous structure whereby the Council may take immediate action to remove the danger. Delegated officer authority was put in place via an Officer Decision Report on 2 July 2013 to carry out immediate works at a projected cost of up to £2m.*

*Under Section 78 the Council has the right to seek to recover its costs from the owner of the building, although the debt has to be proved through court action and recovery is dependent on the ability of the landowner to pay.*

*Throughout this process the Council has been in regular contact with CADW, the Welsh Government body responsible for conserving the historic environment in Wales, to ensure that any work undertaken does not compromise the integrity of this important historic building and coheres with the Listed Building Consent currently in place.*

*The Council has undertaken works during the period from June 2013 to October 2013 to create a safe zone around the building including erecting safety barriers and diverting services in the ground. In addition, very detailed surveys have been undertaken, including further monitoring, to establish a schedule of key issues [...]. Notice of the findings of RVW's work has been provided to Macob Exchange Ltd alongside a request that they take action to make the building safe.*

*Whilst it is clear that Macob Exchange Ltd has the right intentions for the building, their previous scheme for the development of the building is no longer viable and therefore the company is unable to raise further funds against the building to undertake any immediate works to make the building safe and/or to undertake works to restore the building. The company also received legal advice which advised against them undertaking any works without Listed Building Consent due to the potential of prosecution by CADW. On that basis Macob Exchange Ltd considered that the Council should undertake the works outlined by RVW within their regulatory powers.*

*On 18 October 2013 the Council decided to take further action directly to strengthen the erected protective barriers, particularly to the North of the building.”*

## **Recent Developments**

13. At the Council's 29 January 2014 Cabinet meeting, the following decisions were made:

*Delegate authority to the Director for Economic Development in consultation with the Cabinet Member for Finance and Economic Development and the Section 151 Officer and the County Solicitor to:*

- a) *Enter into an enabling arrangement with Julian Hodge Bank and Macob Exchange Ltd to support the development of the Coal Exchange at no cost to the Council;*
  
- b) *Finalise a Memorandum of Understanding subject to appropriate due diligence and financial and legal approval and to a report back to Cabinet before any legally binding obligations are entered into by the Council which would require a financial contribution from the Council in regard to the redevelopment and refurbishment of the Coal Exchange; and*
  
- c) *Continue discussions with the Welsh Government, the Wales European Funding Office, the Heritage Lottery Fund and other bodies to bring together an approach to develop a sustainable long-term use for the Coal Exchange as a business centre, subject to a detailed business plan and to a report back to the Cabinet before any legally binding obligations are entered into by the Council if the detailed business plan projects the need for an operating subsidy in regard to the part of the building which is to be transferred to the Council.*

14. In April 2016 it was announced by hotel developer Signature Living that a deal had been agreed for the restoration of the Coal Exchange building and the development of a new luxury hotel, conference and wedding facility. Plans indicate this would include the restoration of the Great Hall to its former glory, and create over 100 jobs and apprenticeships for Cardiff.

15. In negotiating this arrangement the City of Cardiff Council exercised its power as a mortgagee following a number of expressions of interest in the Coal Exchange. The Council issued the following statement:

*“The condition of the building had been widely publicised and the Council received a number of expressions of interest. Signature Living was considered to be the party with the greatest commitment to restoring the building, coupled with an established track record for funding and carrying out similar projects.”*

16. A planning application was submitted to the Council on 3 May 2016. The application describes the proposed development as:

*“Application for the change of use of the Coal Exchange to form circa 200 bed hotel with function rooms, restaurant/bar, heritage exhibition space and spa.”*

17. Members wishing to view the planning application in full can access the associated documents via the Council’s Planning portal<sup>4</sup> and using the reference number 16/01024/MJR. This includes Design Access Statements, Plans, Drawings, Flood Assessment and Bat Scoping Survey.

18. Lawrence Kenwright, Chairman of Signature Living has been invited to the Committee meeting to outline proposals for the Coal Exchange and the work this will involve.

## **Recent Public and Stakeholder Reaction**

19. Following the announcement by Signature Living, Steven Doughty MP (Cardiff South and Penarth) raised concerns with regard to a number of elements of this deal and called on the Welsh Government and CADW to undertake an inquiry. Mr Doughty also led a debate within the House of Commons on 20 April 2016, outlining his concerns in more detail. A full transcript of this debate can be found attached as **Appendix A**.

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<sup>4</sup> Planning Applications accessed via: <http://planning.cardiff.gov.uk/online-applications/>

20. A number of interested parties and stakeholders have also expressed an interest in the developments at the Coal Exchange, contacting the Chair of the Committee regarding these. The Committee will hear from these stakeholders at the meeting, as outlined in the Way Forward section and in more detail at **Appendix B**.

## **Previous Scrutiny of the Coal Exchange by this Committee**

### **January 2014**

21. At the Economy and Culture Scrutiny Committee's 9 January 2014 meeting, Members undertook pre-decision scrutiny of the report taken to Cabinet on 29 January 2014. Members were informed that the Council had spent approximately £900,000 securing and making the building safe. It was indicated that the costs incurred by Cardiff Council would be recouped.

22. Members were informed that the building is located in a strategic location, and was well positioned in terms of attracting new users. Officers stated that a number of commercial organisations had expressed an interest in bringing the building back into use.

23. Members wrote to the Cabinet Member for Finance and Economic Development to make the following points:

- Committee recognised that the Council was caught in a difficult situation, balancing the need to safeguard public safety, ensuring the future economic viability of Mount Stuart Square environment, and managing the Council's financial liability.
- Committee felt that the draft Cabinet report did not bring out the associated risks clearly enough, and that the issue around the challenges of managing these risks could have been explained in greater depth.

Members recommended:

- a) That Members and Officers seek to persuade senior politicians and officials within Welsh Government that this building is a resource of national significance, and encourage them to make a significant contribution themselves to the redevelopment of the Coal Exchange.
- b) That CADW be carefully brought on board to understand and share the aims of this proposal, to avoid any future negative intervention from CADW.
- c) That serious consideration be given to the appropriateness of partnership with retail and community partners, and any additional risks that this will bring (including the potential impact on rental values).

## **April 2016**

24. In their consideration of the Economic Development Directorate Delivery Plan 2016-17, Members asked for an update on the Coal Exchange – which is listed alongside the action ‘Facilitate the regeneration of the Mount Stuart Square Heritage Quarter by attracting investment in key heritage buildings.’ The minutes of this meeting note the following:

*Members asked for an update on the Coal Exchange, Officers advised that there was a commercial process ongoing, the Council was encouraging the developer to restore the building; there were proposals for a hotel in the building keeping an element of public access. It was noted that the Council was not the only stakeholder and Officers advised that they would bring a report on the Coal Exchange to Committee in the coming months.*

## **Way Forward**

25. The Council Leader, Councillor Phil Bale has been invited to the meeting and may wish to give a statement. Paul Orders (Chief Executive) and Neil Hanratty (Director of Economic Development) will be also be present and will provide a presentation to Members.

26. Lawrence Kenwright and David Marsh have been invited to represent Signature Living and will provide a presentation to Members.

27. Representatives of the following organisations have also been invited as witnesses to present to the members of the Committee:

- Save the Coal Exchange;
- Coal Exchange Ltd;
- Mann Williams;
- Cardiff Civic Society;
- Two independent representations will also be made.

28. Following these representations, the Leader, Council officers and Signature Living representatives will be invited to address the comments and concerns raised by the various stakeholders.

## **Legal Implications**

29. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural

requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

## **Financial Implications**

30. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/ Council will set out any financial implications arising from those recommendations.

## **Recommendation**

The Committee is recommended to:

- a. Consider the contents of the report, discussions and evidence presented at the meeting.
- b. Report any comments, observations or recommendations to the appropriate Cabinet Member.

**David Marr**

**Interim Monitoring Officer**

**3 June 2016**