JOINT SCRUTINY COMMITTEE

18 JULY 2017

Present: County Councillor Howells (Chairperson)
County Councillors Ebrahim, Gordon, Gavin Hill-John, Philippa Hill-John, Howells, Owen Jones, Lancaster, Lay, Parkhill, Patel, Robson, Sattar, Wong and Wood

1 : CHAIRPERSON

RESOLVED – That Councillor Nigel Howells be appointed as Chairperson for the meeting.

2 : APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Mackie, Owen and Stubbs.

3 : DECLARATIONS OF INTEREST

The following declarations of interest were made in accordance with the Members Code of Conduct:

Councillor Patel	Item 4	Prejudicial Interest Former Cabinet Member with responsibility for planning and transportation issues Councillor Patel withdrew from the meeting.
Councillor Lay	Item 4	Personal Interest Non-Executive Director of Cardiff Bus Family member employed by Cardiff Bus
Councillor Robson	Item 4	Personal Interest Non-Executive Director of Cardiff Bus Party involved is a former family friend
Councillor Hill-John	Item 4	Personal Interest Non-Executive Director of Cardiff Bus

4 : DELIVERING THE BUS INTERCHANGE

Appendices 2, 3, 4, 5 and 7 to Appendix A of this report were exempt from publication because they contain information of the kind described in paragraphs 14 and 21 of parts 4 and 5 of Schedule 12A to the Local Government Act 1972.

The Committee received a report and Members were asked to consider pre-decision scrutiny of the Cabinet report entitled 'Funding the New Bus Transport Interchange'. Members were asked to note that Appendices 2, 3, 4, 5 and 7 to Appendix A of the

report were exempt from publication. Members were requested to confine any questions relating to these appendices to the closed session of the meeting.

Members were advised that the Cabinet are to consider a report and recommendations regarding the financing of the Central Square Transport Interchange on 27 July 2017. Members were asked to explore the financial assumptions in the report; any risks to the Council; the timeline for delivery of the transport interchange and the recommendations to the Cabinet. The transport interchange received planning permission on 1 March 2017 and, therefore, the design of the building and associated area has already been agreed and is not within the scope of the scrutiny at this time.

The Central Square Regeneration Scheme set out to deliver a new, high-quality, mixed-use urban gateway to the capital city and a modernised central transport hub. The scheme aims to deliver over 1 million sq ft of office-led mixed use development, with the potential to accommodate 10,000 jobs.

The Cabinet in September 2013 gave authority to officers, in partnership with Rightacres Property Co Ltd, as the adjacent landowner, to acquire a number of long leasehold interests at Central Square. Subsequently, in May 2014 permission was given to obtain a long leasehold interest in the Wood Street NCP Car Park, and this was followed by the demolition of the Council-owned Marland House building. Officers have worked in partnership with Rightacres Property Co Ltd and Legal and General Pension Fund to progress the scheme.

The planning permission granted for the Transport Interchange site permitted a mixed-use development covering 250,000 sq ft including a new bus interchange. The development was designed by Foster and Partners and included:

- 120,000 sq ft of Grade A office space
- 195 private rented sector retail units
- A bus interchange
- 10,000 sq ft of retail space

Negotiations for a funding proposal for the delivery of a new bus interchange were on the basis that the project would be delivered ‘within the financial envelope of existing capital allocations’, consisting of capital receipts obtained from the sale of land and/or long lease options, and Section 106 planning developer contributions.

The Cabinet recently set out their vision for Cardiff in the ‘Capital Ambition’ document, which reaffirmed the Cabinet’s commitment to deliver a new transport interchange.

The draft Cabinet report entitled ‘Funding the New Transport Interchange’ was appended to the report as Appendix A. The Cabinet report set out the current position, the key funding challenges remaining and details of the developers funding proposal. In summary, Members were advised that the original Cabinet decision limited the potential of capital receipts that could be generated from what would otherwise be a prime development site and added costs to the construction of the overall development scheme.

The developer has submitted a proposal to the Council setting out a financial framework for delivering the Bus Interchange development based on a market driven

solution. The developer proposes to secure a student accommodation scheme at the Wood Street end of the development to replace the consented scheme for Private Residential Sector (PRS) units. The developer will continue to pursue an office scheme for the Saunders Road end of the development but will only commence development of the scheme once over 50% of the office area is let. In the event that office tenants are not secured within a reasonable timescale, the developer proposes to extend student accommodation across the whole of the building. Any change of use or changes to design will require a further planning application.

The Developer's Proposal also suggests that the Council completes the full land assembly by acquiring the remaining Saunders Road Car Park site from Network Rail. The developer would then pay a premium to the Council (which will include a share of the pre-development costs) to acquire a long leasehold interest in the whole site, with the Council retaining the freehold interest. The Council would then lease back the bus station element of the building for a peppercorn rent based on payment of an up-front premium equating to the cost of construction of the bus station element. The Developers Proposal establishes a financial envelope for delivery of the bus station which is broadly in line with the resources available to the Council and the capital programme allocation. Members were asked to note that the timing of delivery of a bus station facility remains dependent on securing appropriate tenants for the building.

The developer's proposal also confirms that there is no contribution required from the Council towards the provision of car parking spaces and that the developer will be able to deliver the anticipated contribution towards the broader Central Square public realm improvement scheme as well as the specific extension of the scheme around the Interchange building.

The costs provided for the construction of the bus station element at this stage are subject to independent review by an external cost consultant. The technical fit-out has been excluded from the proposal. Further work is required to confirm the exact extent of internal fit-out that is included in the developer's proposals. The Council has made a bid to Welsh Government for a contribution towards these costs and the costs of highways improvements. The Council's financial strategy is reliant on a contribution being realised from Welsh Government, as set out in Confidential Appendix 3.

The Chairperson welcomed Councillor Russell Goodway, Cabinet Member for Investment and Development and Neil Hanratty, Corporate Director, to the meeting. Councillor Goodway made a brief statement. He thanked the Committee for the invitation to attend. Members were advised that the new administration is committed to delivering a new bus station as part of the wider transportation interchange project – moreover, it is the top priority in terms of his portfolio.

The Committee received a presentation providing Members with the background to the consented scheme to date, the commercial elements of the scheme, funding proposals and challenges.

Following the presentation, the Chairperson invited Members to comment, seek clarification or raise questions on the information received. Those discussions are summarised as follows:

- The Committee asked whether the proposal to secure student accommodation as part of the development was demand driven. The Cabinet Member confirmed that the proposal was demand driven. The Cabinet Member also considered that if student accommodation had formed part of the proposals from the outset then it was likely a greater capital receipt would have been realised.

- Members were advised that the parking element of the scheme will provide private car parking spaces. These spaces will not be made available to members of the public. In order to demolish the NCP car park it was necessary to enter into an agreement with a leaseholder to provide private car parking spaces as part of the redevelopment of the site.

- Officers considered that the student accommodation market within the city was robust. Less than 30% of the student population live in purpose built student accommodation – compared to approximately 60% in Leeds, Liverpool and other core cities.

- Members asked whether any expressions of interest have been received regarding the office space provision. Officers stated that this remains a challenge; whilst the central location of the building is a positive, it may be more difficult to lease a building above a bus station and the developer will require agreements that secure the lease of at least 50% of the office space available.

- Members were advised that whilst the cost of the acquisition of the site was known, some costs were less obvious, such as the cost of building over a bus station. The Cabinet Member commented that if progress was to be made that expectations have to be managed. Allowing a market driven approach will speed up the delivery of a new bus station.

- Concerns were expressed that a number of student accommodation schemes have already been approve and these are currently under construction. A Member considered that the authority should recognise this risk. Furthermore, the Member felt that student accommodation is usually let by wealthy or overseas students and numbers of these are said to be declining. The Cabinet Member accepted the risk regarding student accommodation. However, there was a larger risk to delaying the decision on the development on this site.

- A Member asked whether consideration had been given to providing just a bus station on the site. The Cabinet Member asked how such a scheme could be funded if no capital receipts were provided from developers. The Cabinet Member stated that it was his aspiration and ambition to provide a state of the art facility and one of the best bus stations in the country.

- Members questioned whether the demand for student accommodation was greater than the demand for other types of development, such as a hotel. Officers stated that only ‘budget’ hotels would be prepared to sign up to a lease agreement as part of such a development.

The meeting went into closed session to discuss information contained in Appendices 2, 3, 4, 5 and 7 of Appendix A to the report which were exempt from publication because they contain information of the kind described in paragraph 16 of Part 4 of Schedule 12A to the Local Government Act 1972.

AGREED – That the Chairperson, on behalf of the Joint Committee, writes to Cabinet Member to convey the Joint Scrutiny Committee's observations.

The meeting terminated at 6.00 pm

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