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## AGENDA

Pwyllgor	CYDBWYLLGOR CRAFFU ECONOMI A DIWYLLIANT A AMGYLCHEDD
Dyddiad ac amser y cyfarfod	DYDD MAWRTH, 18 GORFFENNAF 2017, 4.30 PM
Lleoliad	YSTAFELL BWYLLGORA 1 - NEUADD Y SIR
Aelodaeth	Pwyllgor Craffu Economi a Diwylliant Cynghorwyr Howells (Cadeirydd), Ebrahim, Gordon, Gavin Hill-John, Parkhill, Robson, Sattar, a Stubbs
	Pwyllgor Craffu Amgylcheddol Cynghorwyr Patel (Cadeirydd), Philippa Hill-John, Lancaster, Lleyg, Jones, Mackie, Owen, Wong a Wood

Tua  
Amser.

### 1 Cadeirydd

Bydd yr Aelodau'n penodi Cadeirydd ar gyfer y cyfarfod.

### 2 Ymddiheuriadau am absenoldeb

Derbyn ymddiheuriadau am absenoldebau.

### 3 Datgan Buddiannau

I'w gwneud ar ddechrau'r eitem agenda dan sylw, yn unol â Chod  
Ymddygiad yr Aelodau.

***Ni fydd Atodiad 1 i Atodiad A yr adroddiad hwn yn cael eu cyhoeddi oherwydd maen nhw'n cynnwys gwybodaeth o'r fath a ddisgrifir ym mharagraffau 14 ac 21, rhannau 4 a 5 Atodlen 12A, Deddf Llywodraeth Leol 1972. Credir, yn holl amgylchiadau'r achos, mae budd y cyhoedd o ran cynnal yr eithriad yn fwy na budd y cyhoedd wrth ddatgelu'r wybodaeth.***

### 4 Cyflawni'r Cyfnewidfa Bws (Atodiad A i ddilyn) (Tudalennau 1 - 10) 4.35 pm

- (a) Bydd y Cynghorydd Russell Goodway, Aelod Cabinet dros  
Fuddsoddiad a Datblygiad yn cael ei wahodd i wneud datganiad bras

- (b) Bydd Neil Hanratty, Cyfarwyddwr Datblygu Economaidd yn bresennol i roi cyflwyniad ac i ateb cwestiynau Aelodau;
- (c) Cwestiynau gan Aelodau'r Pwyllgor;
- (d) Bydd y Cadeirydd yn gwahardd y cyhoedd fel y gall y pwyllgor ystyried y wybodaeth gyfrinachol;
- (e) Bydd y Cynghorydd Russell Goodway, Aelod Cabinet dros Fuddsoddiad a Datblygiad a Neil Hanratty, Cyfarwyddwr Datblygu Economaidd yn bresennol i ateb cwestiynau'r Aelodau ar y wybodaeth gyfrinachol;
- (f) Cwestiynau gan Aelodau'r Pwyllgor ar y wybodaeth gyfrinachol;
- (g) Bydd y Cadeirydd yn ail-agor y cyfarfod i'r cyhoedd.

5 Y Ffordd Ymlaen

5.15 pm

**Davina Fiore**

**Cyfarwyddwr Llywodraethu a Gwasanaethau Cyfreithiol**

Dyddiad: Dydd Mercher, 12 Gorffennaf 2017

Cyswllt: Graham Porter, 02920 873401 g.porter@caerdydd.gov.uk

***This document is available in English / Mae'r ddogfen hon ar gael yn Saesneg***

CYNGOR CAERDYDD  
CARDIFF COUNCIL

JOINT COMMITTEE OF ECONOMY & CULTURE SCRUTINY COMMITTEE AND  
ENVIRONMENTAL SCRUTINY COMMITTEE

18 JULY 2017

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PRE DECISION SCRUTINY OF: DELIVERING THE BUS INTERCHANGE

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*Appendix 1 to Appendix A of this report is exempt from publication because it contains information of the kind described in paragraphs 14 and 21 of parts 4 and 5 of Schedule 12A to the Local Government Act 1972. It is viewed that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.*

**Purpose of Report**

1. To give Members information to aid the pre-decision scrutiny of the draft report to Cabinet entitled 'Delivering the Bus Interchange'. This information includes:
  - a. How to deal appropriately with the confidential information provided;
  - b. Scope of scrutiny;
  - c. Meeting structure;
  - d. Background information on the Central Square transport interchange; and
  - e. Key Lines of Enquiry.
2. Officers have advised that the draft report to Cabinet is not available to go out with this report. It is marked '*to follow*' as **Appendix A** and will be circulated to Committee Members on Friday 14<sup>th</sup> July 2017.
3. Members should note that **Appendix 1** of the report to follow as **Appendix A** is exempt from publication. Members are requested to keep this information confidential, in line with their responsibilities as set out in the Members Code of Conduct and the Cardiff Undertaking for Councillors. Members will be able to ask questions regarding Appendix 1 during closed session.

## Scope of Scrutiny

4. The Cabinet is to consider a report and recommendations regarding financing the Central Square transport interchange at their meeting on 27 July 2017. During this scrutiny, Members have the opportunity to explore:
  - a. Financial assumptions made in the report;
  - b. Whether there are any risks to the Council;
  - c. The timeline for delivering the transport interchange;
  - d. The recommendations to Cabinet.
  
5. The Central Square transport interchange received planning permission 1<sup>st</sup> March 2017. This means that the design of the building and associated area has already been agreed and is therefore not within the scope of this scrutiny<sup>1</sup>.

## Structure of the meeting

6. The meeting will be in two parts; an open session, where Members will be able to ask questions on the issues and papers that are in the public domain; and a closed session, where members of the public will be excluded, where Members can ask questions that pertain to **Appendix 1** of the Cabinet report attached at **Appendix A**.
  
7. Members will hear from Councillor Russell Goodway (Cabinet Member – Investment and Development) and Neil Hanratty (Director of Economic Development). There will be a presentation taking Members through the proposals, followed by Members questions.
  
8. Members will then be able to decide what comments, observations or recommendations they wish to pass on to the Cabinet for their consideration prior to making their decisions.

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<sup>1</sup> The design and layout of the transport interchange has already been scrutinised during 2016/17 by a joint task group of the Economy & Culture and Environmental Scrutiny Committees.

## Background

9. The Central Square Regeneration Scheme aims to deliver a brand new high quality mixed-use urban gateway to the capital city and a modernised central transport hub. The scheme will deliver over 1 million sq. ft. of high quality office-led mixed-use development, with the potential to accommodate up to 10,000 jobs.
10. In September 2013, Cabinet gave authority to officers to work with Rightacres Property Co Ltd, as the adjacent landowner, to acquire a number of long leasehold interests at Central Square. In May 2014, Cabinet gave permission to obtain a long leasehold interest in the Wood Street NCP car park, in order to free up land. The decision was taken to demolish the Council- owned Marland House building. Officers have worked in partnership with Rightacres Property Co Ltd. and Legal & General Pension Fund to progress the scheme.
11. A map of the Central Square site is attached at **Appendix B**, showing the following:
  - a. Site A – 1, Central Square – fully let to Blake Morgan, Hodge Bank, s3 advertising, eSpark and Moto Nova
  - b. Site B – BBC Cymru Wales HQ
  - c. Site C – 2, Central Square – fully let to Hugh James and Cardiff University (School of Journalism)
  - d. Site D – Transport Interchange
  - e. Site E - Government Property Unit – relocation of HMRC
  - f. Site F - optioned for Government Property Unit
  - g. Site G - Public Realm.
12. On 1<sup>st</sup> March 2017, planning permission was granted for Site D, a mixed-use development covering 250,000 sq. ft., including a new bus interchange. The development has been designed by Foster + Partners and includes:
  - a. 120,000 sq. ft. of Grade A\* offices
  - b. 195 private rented sector residential units
  - c. A new bus interchange
  - d. Circa 10,000 sq. ft. retail space.

13. The Council has been negotiating a funding proposal for Site D, with Rightacres Property Co Ltd., for delivery of the new bus interchange aspect of the mixed-use development. A report to Cabinet on 16<sup>th</sup> March 2017 stated that:

*'The Council is seeking to secure delivery of the bus interchange within the financial envelope of existing capital allocations.'*

14. The *'financial envelope of existing capital allocations'* consists of capital receipts, obtained from the sale of land and/ or long lease options, and section 106 planning developer contributions. Further details are provided as confidential information in **Appendix 1 of Appendix A**. Members are reminded of their responsibility to keep this information confidential and to not ask questions on this, or quote from it, until the meeting is in closed session.

15. The Cabinet set out their commitments for Cardiff in their document 'Capital Ambition', which was agreed at their meeting on 6<sup>th</sup> July 2017. This includes a commitment to deliver *'a new transport interchange which will be at the heart of the Cardiff Metro.'*

### **Key Lines of Enquiry**

16. Pre-decision scrutiny aims to inform the Cabinet's decisions by making evidence based recommendations. Scrutiny Members are advised to:

- a. look at the information provided in the report to Cabinet to see if this is sufficient to enable the Cabinet to make an informed decision;
- b. check whether the report to Cabinet clearly sets out how any issues identified will be addressed;
- c. check the financial implications section of the Cabinet report to be aware of the advice given;
- d. check the legal implications section of the Cabinet report to be aware of the advice given.

17. Members have the opportunity to explore issues relating to the financing of the transport interchange, including but not limited to:
- a. Financial assumptions made in the report;
  - b. Whether there are any risks to the Council;
  - c. How any risks to the Council are being addressed and mitigated;
  - d. The timeline for delivering the transport interchange; and
  - e. The recommendations to Cabinet.
18. Members are reminded that they are able to contact Scrutiny Services to discuss any queries they may have regarding their scrutiny of this item.

### **Previous Scrutiny**

19. In 2014/15, the Economy & Culture and Environmental Scrutiny Committee established a joint task group to scrutinise proposals for a transport interchange. Seven meetings on specific themes were held from 2014-2017, with letters and recommendations submitted to the relevant Cabinet Members and Directors after each meeting.
20. The last meeting was held in September 2016 to consider the design scheme and funding options for the Interchange building. Cllr McKerlich, then Chair of the Economy and Culture Scrutiny Committee wrote to Cllr Patel, then the Cabinet Member - Transport, Planning & Sustainability, stating that Members welcomed the design proposals and highlighting the importance of potential risks and rewards being fully quantified in order for the right decision to be made for Cardiff. His letter also noted that consideration was being given to income generation opportunities for the Council, with the caveat that these would come with varying levels of risk.
21. In March 2017, the Economy & Culture Scrutiny Committee carried out pre-decision scrutiny of further proposals for Central Square that had an impact on the transport interchange. The information presented to the Committee was mostly confidential information. Members of the Committee endorsed the recommendations to Cabinet.

## **Way Forward**

22. The item will commence in open session, with Councillor Russell Goodway (Cabinet Member – Investment and Development) being invited to make a statement. Neil Hanratty (Director of Economic Development) will give a presentation taking Members through the proposals. Members will be able to ask questions on the papers in the public domain.
23. The meeting will then go into closed session, with members of the public excluded, in order to consider the confidential information provided in **Appendix 1 of Appendix A**. Once Members have asked all their questions on this information, the meeting will re-open to the public.

## **Legal Implications**

24. 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**

25. 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.

## **RECOMMENDATIONS**

26. The Committee is recommended to:

- a. consider the information provided in the report, appendices and at the meeting;
- b. decide whether they would like to make any comments to the Cabinet on this matter in time for its meeting on 27 July 2017; and
- c. decide the way forward for any future scrutiny of the issues discussed.

**DAVINA FIORE**

**Director of Governance and Legal Services**

**12 July 2017**

Mae'r dudalen hon yn wag yn fwriadol

**CABINET MEETING: 27 JULY 2017**

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**FUNDING THE NEW BUS TRANSPORT INTERCHANGE**

**REPORT OF THE DIRECTOR OF ECONOMIC DEVELOPMENT**

**AGENDA ITEM:**

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**PORTFOLIO: DEVELOPMENT & INVESTMENT (COUNCILLOR RUSSELL GOODWAY)**

***NOTE Appendices 2, 3, 4, 5 and 7 of this report are 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.***

**Reason for this Report**

1. To report the commitment of the new Council administration to the delivery of a new bus interchange on the former Marland House/Wood St NCP Car Park site at Central Square and to outline the challenges which need to be addressed to facilitate its construction.
2. To seek the new Cabinet's 'in-principle' agreement to a revised funding strategy required to facilitate the delivery of the bus Interchange and to request that delegated authority be given to the Director of Economic Development in consultation with the Cabinet Member for Investment & Development to enter into appropriate contractual agreements with the developer to secure a start on site at the earliest possible date.
3. To secure Cabinet authority to address and deal with all outstanding pre-development costs relating to a new Bus Interchange development including design, planning and site preparation costs.

**Background**

4. The new administration has set out its policy priorities in the Vision Statement "Capital Ambition" which, amongst other things, prioritises:
  - The delivery of a new business district and gateway to Wales to the north and south of Cardiff Central Station.
  - Delivering a new transport interchange which will be at the heart of the Cardiff Metro.

5. Furthermore, the administration has confirmed support for the 2013 proposal to redevelop Central Square and to provide a suitable state-of-the-art bus station facility, on a suitable site, that will equip the city with the modern transport interchange befitting our nation's capital.
6. Initially, it was envisaged that the bus interchange would be located on land south of Cardiff Central Station as part of the emerging proposals for the Cardiff Metro. However, on 15 May 2014, Cabinet decided to locate the new facility on the site of Marland House which, as a consequence, required the Council to acquire the long leasehold interest in the Wood Street NCP Car Park. This decision confirmed the earlier decision to:
  - Facilitate jobs growth by working with partners to deliver 300,000 sq ft of office accommodation within Central Square by March 2019.
  - In partnership with developers, transport operators and businesses deliver a new Central Transport Interchange
7. In total, the Central Square development will deliver over 1 million sq ft of high quality office-led mixed use development and is anticipated to accommodate up to 10,000 jobs. The regeneration scheme has been delivered through a public-private partnership between Cardiff Council and local development company Rightacres Property Ltd with funding provided by Legal & General Pensions Ltd. This agreement committed the Council to acquiring the leasehold interests in Marland House and St David's House on Central Square along with the site of the former Thomson House on Havelock Street.
8. The project now needs to progress to the next phase following the completion of 1 Central Square and with 2 Central Square and the BBC Wales building currently under construction. Plans for the development of the land north of Wood Street will accommodate a major new grade A\* office development comprising 265,000 sq ft in phase 1, accommodating circa 3000 jobs. Negotiations between the developer and a potential occupier are at an advanced stage and it is hoped to conclude matters in the near future. The scheme will also include a substantial new public square on Wood Street.

### **Current Position**

9. The Council and the developer have over time made substantial investments in bringing forward the Bus Interchange project. The project was initiated through a WELTAG public consultation exercise which established the key design criteria for the new facility. Following a competition, world leading architects Foster + Partners were appointed by the developer to produce a scheme, and subsequently to prepare a planning application.
10. On 3 December 2015 and 16 March 2016 Cabinet provided authority for the Council to enter into a Pre Planning Agreement (PPA) with Rightacres Property Ltd relating to design and site preparation costs necessary to

bring forward delivery of the Bus Interchange in accordance with the Council's programme.

11. The agreement essentially provided an underwriting of costs up to an agreed cap to enable the developer to incur costs and progress the development in advance of having in place an agreed funding package with the Council. This acknowledged that costs would be reimbursed in the event that no agreement was in place by 30 June 2017. At its meeting on 28 September 2016 Cabinet agreed for the cap to be increased to cover additional design costs relating to the preparation of a planning application for the development.
12. Planning consent was granted on 1 March 2017, subject to the completion of a Section 106 Agreement. The scheme comprises of a Bus Interchange, including a cycle hub and ancillary retail units on the ground floor; 225 car parking spaces and an interchange lounge on the first floor (to provide a potential future link to the Central Train Station); a Private Rented Sector (PRS) development of 195 units on the Wood Street elevation; and 120,000 sq ft of grade A\* offices at the Saunders Road end of the development. An illustration of the scheme is provided at Appendix 1.
11. Site preparation works were concluded in June 2017. These primarily included the relocation of businesses from Marland House; the demolition of Marland House; and the demolition of the Wood St NCP Car Park. Details of the costs associated with design, planning and site preparation are provided in Confidential Appendix 2.
12. The Council has recently reimbursed the developer for costs expended up to the value of the agreed cap. The developer has incurred further costs relating to design, planning and site preparation at risk and the Council is now required to settle these costs. The cost incurred by the Council for land assembly and design, planning and site preparation will be apportioned against each key element of the development in the final development appraisal as outlined in Confidential Appendix 3.
13. An allocation of £20 million has been included in the Council's Capital Programme for the delivery of the Bus Station element of the Bus Interchange building. This is dependent on securing capital receipts to this value from the sale of leasehold interests in the council owned land holdings within the Central Square development. Details of the costs of land assembly for the Bus Interchange building and the associated capital receipts are provided in Confidential Appendix 4.

### **Key Funding Challenges**

14. It has become increasingly apparent that the Council's decision to deliver the new Bus Interchange project on the site of the former Marland House and Wood Street NCP Car Park has created significant funding challenges. In particular the decision has created a significant land premium for the development; it has limited the potential of capital receipts that can be generated from what would otherwise be a prime development

site; and has added costs to the construction of the overall development scheme. Whilst the developer remains committed to delivering a solution, these issues have created a very difficult financial equation to resolve.

15. At the outset it was the intention to recover all of the costs of land assembly through capital receipts generated from within the development site. This aspiration took account of the fact that the purchase price of existing buildings such as St David's House and Marland House was in excess of the value of the plots as development sites, but reflected the realistic assumption that through a comprehensive regeneration scheme and major investment in public realm improvements across the entire site, an uplift in land value would be achieved to off-set the premium required to purchase buildings. This has largely been achieved. However, the specific costs associated with the purchase the Wood Street NCP Car Park has placed a major burden on the Bus Interchange development (Confidential Appendix 4).
16. In addition to the specific costs outlined above, the Wood St NCP Car Park was also the subject of existing parking leases that needed to be resolved in order to enable demolition of the building. This has meant that the development proposal for the new Interchange building also needs to incorporate 225 car parking spaces. The nature of the site and the mix of uses within the development has made the provision of this car parking expensive to deliver. In particular, ground floor bus station limits the number of columns that can be used in construction to minimise the obstruction of bus movements. This dramatically increases the cost per space of providing car parking. The cost of land, and the cost of car parking has made the financial equation extremely difficult to resolve.
17. Furthermore, the agreement with the developer established in 2013 assumed a market driven development designed to allow market demand to drive end use on plots across the scheme's masterplan. However, as the scheme developed, the Council's aspirations for the building has effectively created constraints on the developer that have prevented the pursuit of high yielding opportunities involving student accommodation and budget hotels. In order to expedite the development it is recommended that Cabinet reverts to the original approach and allows the developer to pursue market driven opportunities.
18. It is the norm for any developer of office buildings to wait to secure tenants for some if not all of the building before committing to a construction contract. This approach mitigates risk, and provides the developer with a clear understanding of the value of the building before incurring significant costs. This is because the value of office buildings relates to the strength of covenant of the tenant(s) and the terms upon which they are secured. The Cabinet's preference has, until recently, been for the space above the Bus Interchange building to be predominantly offices, which has meant that until a proportion of the space is let, the development has been unable to proceed.

## Funding Proposal

19. The developer has now submitted a proposal to the Council setting out a financial framework for delivering the Bus Interchange development based on a market driven solution outlined in Confidential Appendix 5. The developer is proposing to take advantage of current market opportunities to maximise the value of the development and to maximise the capital receipts payable to the Council. In particular, the developer is seeking 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 terms of potential office occupiers, the Council and Rightacres have been pursuing a number of live enquiries which have the potential to be secured over the next few months. In the event that office tenants are not secured within a reasonable timescale, the developer is proposing to extend student accommodation across the whole of the building. It is understood that any change of use or changes to design will require a further planning application.
20. The Developer's Proposal 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 Developer's Proposal establishes a financial envelope for delivery of the bus station which is more or less in line with the resources available to the Council and the capital programme allocation. Confidential Appendix 3 explains the Council's affordability envelope. However, it must be noted that the timing of delivery of a bus station facility remains dependent on securing appropriate tenants for the building.
21. In addition to the above, Cabinet should note that the developer's proposal also confirms there is no contribution required from the Council towards the provision of car parking spaces. The developer will also 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 (see Appendix 6).
22. The costs provided for the construction of the bus station element at this stage are high level and subject to independent review by an external cost consultant. Whilst 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. In regard to technical fit-out costs, the Council has made a bid to Welsh Government for a contribution towards these costs and the costs of highways improvements that will need to be made to the road network in the area surrounding the bus station to improve access for buses and pedestrians. The Council's

financial strategy is reliant on a contribution being realised from Welsh Government, as set out in Confidential Appendix 3.

### **Reason for the Report**

23. To seek in-principle agreement from Cabinet to the proposed funding proposal from the developer for delivery of the Bus Interchange development and to secure delegated authority to conclude arrangements to deliver the development within the Council's financial envelope including settling outstanding design, planning and site preparation costs.

### **Financial Implications**

24. The existing capital programme includes an allocation of £20 million for the 'Delivery of Central Square development including a new Integrated Transport Hub', which is to be fully funded by capital receipts and s106 contributions associated with Central Square. In addition, £3.739 million of the Central Square Public Realm budget is currently reliant on resources generated at Central Square.
25. The Central Square developments are being progressed on the basis that schemes are fully self-financing from land and S106 receipts and any deviation from this base assumption could impact on the council's financial resilience strategy and its ability to support other major projects and initiatives being progressed by the council at this time.
26. In March 2016, Cabinet authorised the completion of a pre-planning agreement. This committed the Council to underwriting costs incurred by the contractor up to a specified maximum figure for the first phase of works. In September 2016, an additional Cabinet authorisation was received to include the second phase of works, and therefore increasing the specified maximum figure that the Council will underwrite. On 5<sup>th</sup> July, the Director of Economic Development exercised the delegated responsibility granted in these Cabinet reports to make payment to the contractor for the specified maximum figure for these phases of works.
27. The details of these costs are contained within commercially confidential appendices to this report. An additional set of financial implications have will be set out in Appendix 7 to follow, which should be considered in conjunction with this report.
28. The attached report provides details of recent progress on the Interchange development including current high level proposals submitted by the Developer. The report confirms that the Developer has been paid for pre-development work up to the cap previously agreed by Cabinet in September 2016. The Developer has though continued to incur additional costs on these activities, at his own risk, to values over and above the previously agreed cap. The developer is now expecting the Council to reimburse these additional costs and the attached Cabinet report is seeking authority to make this additional payment to the



developer relating to design, planning and site preparation. The payment of this additional sum will take Interchange expenditure above its approved Capital budget for 2017/18 and will require budget to be brought forward from 2018/19. The element of these pre-development costs that relate to the Commercial elements of the scheme will be subsequently passed back to the developer.

29. The Interchange is due to be fully funded by capital receipts and s106 contributions associated with Central Square Capital receipts. However, these capital receipts will not be realised in advance of these pre-development payments being made. This represents a short term funding issue for the council with revenue expenditure implications either through short term borrowing costs or reducing income from Treasury activities.
30. The financial implications of incorporating the Car Park in the development are highlighted in the report in terms of both reducing the commercial value from the site and the additional expenditure from the engineering solution required to incorporate the car park on the first floor.
31. The report recommends reverting to a market driven approach for the commercial space within the development. Maximising Development Value will minimise, but not eliminate, the funding required from the Council to deliver the new Bus Transport Interchange.
32. The current development proposal is conditional on securing sufficient tenants to fill the commercial space. Although the Developer is confident of finding tenants there is a risk of a delay to the development if sufficient tenants are not found to cross this threshold. If this delay were to materialise, this could result in the scheme needing to be redesigned which could have a detrimental impact on the delivery, timeliness and costs of the scheme.
33. At this stage the construction costs included in the proposal are high level assessments which brings the risk that costs could increase as more detailed proposals are developed. With the financing sources for the Interchange being largely fixed this would present funding implications that would need to be addressed if the proposal was to proceed.
34. The Developer's Proposal suggests that the Council completes the full land assembly by acquiring the remaining Saunders Road Car Park site from Network Rail. Although a price has been agreed with Network Rail for the land in Saunders Road, this land has yet to be acquired which brings with it associated risks.
35. The report acknowledges that technical fit-out and junction improvement costs will be required but are outside of the scope of this development. The expectation is that the Council will rely on Welsh Government contributions to fund these works but this funding is not currently confirmed which exposes the Council to the financial risk that it will need

to step-in and fill any fit-out funding gap. The Lifecycle costs of the council operating the bus station will also need to be considered alongside the more detailed development proposals that will subsequently follow.

36. Given the specialist nature of this development the Council will need to engage the Professional Advisors to ensure that the proposals presented by the developer are deliverable and represent VFM. Adequate budget to engage these advisors will need to be identified.

### **Legal Implications**

*To follow*

### **RECOMMENDATIONS**

The Cabinet is recommended to:

- (1) Allow the developer to maximise capital receipts for the commercial floor space within the Bus Interchange development by allowing end use to be driven by market demand.
- (2) Delegate authority to the Director of Economic Development in consultation with the Cabinet Member for Investment & Development and the Cabinet Member for Finance, Modernisation and Performance, the Section 151 Officer and the Monitoring Officer to:
  - (i) Negotiate and conclude a final agreement with the developer subject to the financial envelope outlined in Appendix 3 for the delivery of the Bus Interchange project and appropriate external advice.
  - (ii) Settle outstanding design, planning and site preparation costs as outlined in Confidential Appendix 2 subject to independent verification of costs.
  - (iii) Acquire the Saunders Road Car Park site owned by Network Rail to complete the land assembly as outlined in this report, subject to independent valuation.

**NEIL HANRATTY**

Director

14 July 2017

*The following appendices are attached:*

Appendix 1:	Illustration of Consented Scheme
Confidential Appendix 2:	Design, planning and site preparation costs
Confidential Appendix 3:	Bus Interchange Financial Strategy
Confidential Appendix 4:	Bus Interchange Land Acquisition and Disposal
Confidential Appendix 5:	Developers Proposal
Appendix 6:	Plan of Central Square Public Realm Scheme
Confidential Appendix 7	Confidential Financial Implications advice on the appendices above

DRAFT

Mae'r dudalen hon yn wag yn fwriadol

# Appendix B: Site Plan



Mae'r dudalen hon yn wag yn fwriadol