

# Report

## Cabinet

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### Part 1

Date: 16 November 2022

### Subject **Cost Sharing Agreement with Coleg Gwent**

**Purpose** To seek approval to enter into a cost sharing agreement with Coleg Gwent in relation to the demolition of the Newport Centre, and disposal of land in order to facilitate the development of a new college campus.

**Author** Head of Regeneration and Economic Development

**Ward** Stow Hill

**Summary** As part of the development of a new Leisure and Well-being centre on the opposite side of Usk Way, Cabinet have previously agreed in principle to release the Newport Centre site to Coleg Gwent in order for them to develop a new City Centre Campus. Negotiations are progressing and planning permission has been granted for the new leisure facility and the demolition and use of the Newport Centre site for educational purposes. The next step is to undertake demolition of the existing Newport Centre building and finalise the transfer of the site to Coleg Gwent. Coleg Gwent have agreed to share the costs associated with the demolition of the building and Cabinet approval is required to enter into this agreement.

### Proposal

- 1) To agree to the proposed costs sharing arrangement in relation to all demolition costs, commit the capital funding provision required and authorise the relevant officers to enter into an agreement for lease with Coleg Gwent and proceed with the necessary demolition work on this basis.
- 2) To authorise officers to include such additional land within the disposal to Coleg Gwent as may be considered necessary or expedient for the purposes of the development and the surrounding public realm, and to make any such necessary stopping up orders as may be required to facilitate this.

**Action by** Head of Law and Standards/Head of Regeneration and Economic Development

**Timetable** Immediate

This report was prepared after consultation with:

- Leader of the Council and CM for Economic Growth and Strategic Investment
- Chief Executive  
Strategic Director: Environment and Sustainability
- Head of Law and Standards
- Head of Finance
- Head of People and Policy and Transformation

**Signed**

## **Background**

The city centre Masterplan adopted in January 2019 identifies key areas of the city as priority locations for regeneration, linked by commonalities of use and shared economic drivers. The Newport Centre site is located in the 'City Core' area and ongoing regeneration of Usk Way and the creation of a 'Newport Knowledge Quarter' is critical to the delivery of our economic growth ambitions and Corporate Plan commitments

### **Newport Knowledge Quarter**

The redevelopment of a new leisure facility on land opposite the Newport Centre presented the council with the opportunity to release the existing site to relocate Coleg Gwent's Nash Campus into the city centre. The current Nash campus is in need of significant investment and the provision of a new Further Education campus in the city centre provides Coleg Gwent with an opportunity to provide a new, modern and fit for purpose facility in a more accessible location as well as enabling the Council to deliver upon the Council's vision of delivering a Newport Knowledge Quarter in the heart of the city centre.

### **Demolition and site preparation**

As part of the Welsh Government conditions of funding for the new leisure and well-being centre, the Council is required to demolish the Newport Centre to facilitate the provision of the new city centre campus. The site, once cleared, has been valued at £870 000. In the original report it had been assumed that the land value and the cost of demolition would be the same and the Council were therefore not expecting any capital receipt, or additional expenditure. However, market instability and rapid inflation make this a risk. It is possible that demolition costs could be approximately £1.2m but will only be confirmed once the contract for demolition has been formally tendered (it should be noted that the total cost envelope is £1.413m, when taking into account fees already incurred by NCC and Coleg Gwent). This tendering exercise is expected to be completed by the end of December and it is important that both the Council and Coleg Gwent have formal approval for the cost sharing before contracts are let. In order for Coleg Gwent to progress their funding arrangements they also require the Council to enter into a pre-lease agreement for the site. The Coleg Gwent Board have already agreed in principle to the cost sharing and is expected to be ratified at their next Board meeting.

This report is requesting that any costs over the agreed £870,000 valuation are shared on a 50/50 basis between the Council and Coleg Gwent. The Council will need to fund the entirety of the demolition costs upfront. Coleg Gwent will seek to reimburse their share of costs above the land value price once the demolition works are complete, with the £870,000 land receipt paid once the lease is granted.

The report also seeks permission to authorise officers to include all required land within the disposal agreement to Coleg Gwent as may be considered necessary or expedient for the purposes of the development and for the benefit of the surrounding public realm, and to make such necessary stopping up orders as may be required to facilitate this.

### **Financial Summary**

The table below provides an overview of the costs and funding position of the scheme. On the basis of demolition scheme costs totalling £1.413m, including fees totalling £213k already incurred by the Council and Coleg Gwent, it would require the Council to allocate £271.5k of capital funding towards a 50% share of costs over and above the site value. Coleg Gwent would contribute an equivalent amount, in addition to the contribution of the land value. Should final tender prices for the main demolition contract exceed £1.2m, the Council and Coleg Gwent would have to increase their contributions accordingly. In the Council's case, this would require another allocation from the capital headroom, subject to affordability and Cabinet approval.

However, there is a risk to the Council should Coleg Gwent be unsuccessful in gaining the funding required for the main scheme. In this scenario, the contribution of the £870k would not be forthcoming, meaning the Council would have to fund these costs also. Therefore, because of this risk, and the timing

difference between demolition taking place and land transferring, it will be necessary for the Council to commit £1,141.5k up front for the demolition costs. Coleg Gwent would still be required to contribute their 50% share above the land value and, therefore, this element is not at risk.

In terms of affordability, the Council currently has £2.354m available in capital headroom, which is predominantly comprised of non-earmarked capital receipt balances. This already takes account of a £250k sum earmarked for this scheme. Committing to this cost of £1,141.5k would reduce the available headroom to £1.463m. Should Coleg Gwent receive their funding, the Council would receive a capital receipt totalling £870,000 at a later date, which would partially replenish the capital headroom. Should the capital receipt not ultimately be received from Coleg Gwent, this will result in a permanent reduction in capital headroom.

It should also be noted that the Council is not opting to tax the sale of the land to Coleg Gwent.

	<b>2022/23</b>	<b>2023/24</b>	<b>TOTAL</b>	<b>Notes</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>including budgets heads affected</b>
<b><u>Costs</u></b>				
Fees	213	0	213	Total fees incurred by NCC (£50k) and CG (£163k)
Demolition	600	600	1,200	Estimated demolition costs of £1.2m (pre-tender) and assuming demolition commences Q4 2022/23
<b><u>Financing</u></b>				
Coleg Gwent contribution	-163	-108.5	-271.5	Coleg Gwent's 50% contribution to the costs over and above the £870k land value.
NCC contribution	-650	-491.5	-1,141.5	Balance to be funded by NCC after allowing for Coleg Gwent's 50% contribution to costs over and above the £870k land value.
<b>Net Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	

## Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Demolition costs significantly exceed current estimate of £1.2m	M	L	An estimate of £1.2m for demolition costs is considered reasonable. The formal tender exercise will be completed in December 2022 with an expectation that demolition works will commence in Q4 of 2022/23	Head of Regeneration and Economic Development
Coleg Gwent do not agree to the cost sharing arrangement	H	L	Project meetings are held with principal members of the Coleg Gwent project team and NCC officers on a three-weekly basis. Agreement has been provided in principle with formal approval expected from their Board in December 2022.	Head of Regeneration and Economic Development
Coleg Gwent fail to complete the acquisition of the Newport Centre site.	M	L	The Head of Law and Standards is drafting an Agreement for Lease for the disposal of the site which will be conditional and will bind Coleg Gwent to completing the acquisition of the site once they have their funding in place Notwithstanding this, outline planning permission is in place for a variety of alternative uses and the site can be disposed of or redeveloped for alternative purposes.	Head of Law and Standards

\* Taking account of proposed mitigation measures

## Links to Council Policies and Priorities

The Knowledge Quarter project is at the heart of the Council's strategic policies and ambitions for the City Centre and its continuing sustainable economic regeneration. The project is also essential to delivery of the current Economic Growth Strategy, which aligns capital redevelopment, upskilling, training and business support as measures to increase the vitality and resilience of the City Centre as Newport's economic hub.

In addition, providing further benefit to existing traders in terms of much-needed footfall, the new campus will revolutionise the provision of post-16 education for the city and its regional hinterland. Pathways to higher education will be improved via proximity to the University of South Wales campus and the proposed National Technology Institute, improving the skills base of the city and access to higher paid jobs and employment opportunities.

By virtue of the relationship to the enhanced leisure provision that will replace the existing Newport Centre, and the delivery of greatly improved educational and wellbeing opportunities in immediate proximity to many of the most disadvantaged neighbourhoods in the city, the project can be seen to

deliver cross-cutting benefits that reflect each of Newport's Wellbeing Goals. The Knowledge Quarter will:

- Improve skills, educational outcomes and employment opportunities
- Promote economic growth and regeneration whilst protecting the environment
- Enable people to be healthy, independent and resilient
- Build cohesive and sustainable communities

The project will also by extension play a critical role across a breadth of national, regional and local strategies aimed at educational attainment, skills development, economic resilience, improved business opportunities and support, and environmental regeneration.

### **Options Available and considered**

1. To proceed with the demolition of the Newport Centre, including making the relevant provision within the capital programme and delegated authority for any further disposal of land required to enable development of the Knowledge Quarter
2. To not proceed with the demolition of the Newport Centre, removing the requirement for any further provision within the capital programme.

### **Preferred Option and Why**

1. To proceed with the demolition of the Newport Centre, including making a capital programme provision of £1,141.5k, and granting delegated authority for associated land disposal and enabling activity. The Knowledge Quarter is absolutely essential to the future success of the city centre and the ambition of a flourishing and resilient Newport.

### **Comments of Chief Financial Officer**

This report outlines a required capital funding commitment for the Council totalling £1,141.5k. To date, £250,000 has been earmarked within the capital headroom for this purpose but not formally added to the programme. Therefore, a further £891.5k of capital funding is required in order to meet the upfront costs of demolition. There is a likelihood, but no absolute guarantee, that a capital receipt of £870,000 will be received from Coleg Gwent once, and if, the funding for their main scheme is approved. This would be added to the capital headroom at the point that it is received.

Committing this amount from the capital headroom will significantly reduce the residual headroom available for other capital schemes. It is known that there are other pressures emerging against the capital programme, both potential new projects and with existing projects already in the programme with only a finite amount of funding resource available, given no scope to increase the level of headroom available through borrowing. Ideally, given this context, a holistic view and decisions would ideally be recommended, but it is understood that there is a time imperative regarding this decision. Cabinet will need to appreciate therefore, that in making this commitment now, it will potentially impact the ability to support other emerging capital pressures.

The other risk, as referenced in the report, is the fact that the tender price for the main demolition contract is not yet known and, therefore, there is a risk that the actual cost will exceed the current estimate. Should that prove to be the case, once final tenders are received, it would be necessary to seek additional approval from Cabinet for a further allocation from the remaining capital headroom, subject to affordability.

### **Comments of Monitoring Officer**

The proposed action is in accordance with the Council's legal powers under section 123 of the Local Government Act 1972 to enter into contracts for the disposal of land. Cabinet have previously agreed in February 2021 to the demolition of the Newport Centre site, the re-appropriation of the land from leisure use to regeneration purposes and the disposal of the site to Coleg Gwent by way of a 250 year development lease, to facilitate the construction of their new college. Officers were authorised by Cabinet to agree to the terms of the legal documentation and an agreement for lease has been agreed with Coleg Gwent, which sets out the net market value for the land and provides for risk and cost-sharing

in relation to the estimated demolition costs. Once the agreement for lease has been completed, it will commit Coleg Gwent to purchase the site from the Council on the agreed terms, subject to them securing MIM funding for the development. However, the demolition costs will need to be incurred by the Council in advance of Coleg Gwent's funding application being approved and, therefore, it has been agreed that the demolition costs should be shared equally, to the extent that the costs exceed the value of the land. Until the MIM funding is approved, and the lease is completed, then there is no guarantee that the development will proceed and that the Council will receive the full purchase price for the cleared site. Therefore, sufficient financial provision will need to be made to cover this contingency. However, the agreement for lease will still secure a contribution from Coleg Gwent towards the cost of the work and the Council will have the benefit of a cleared development site. Cabinet is now being asked to agree to these cost-sharing proposals and to authorise the officers to enter into an agreement for lease with Coleg Gwent on this basis. An agreement has also been reached, in principle, with Newport Live for the surrender of their existing lease of the Newport Centre and for them to vacate the building to enable the demolition work to proceed. It may be necessary to include additional land within the lease to Coleg Gwent to facilitate the development, whilst retaining sufficient public realm and access to the Kingsway Multi-story car park for emergency evacuation and maintenance purposes. Therefore, Cabinet are requested to authorise officers to agree the precise footprint of the site and to include such additional land within the lease as may be necessary or expedient. Depending on the extent of the footprint of the site and the retained access, then there may be a requirement to stop-up parts of the exiting highways, and Cabinet are asked to agree that any necessary Traffic Regulation orders can be made by officers under delegated powers.

### **Comments of Head of People, Policy and Transformation**

The development meets the requirements of the Well-being of Future Generations Act and supports the Council's Well-being Objectives, it also aligns with areas of work within the One Newport Partnership's current Well-being Plan 2018-23: notably it supports the Newport Offer by directly contributing to the development of Newport as place to study, live and visit; it contributes to Right Skills work by providing high quality facilities where people can develop the skills they need to prosper and contribute to a thriving economy; and it promotes sustainable travel by locating the Coleg Gwent campus close to public transport and active travel routes.

There are no HR implications arising directly from this report. It is noted that an FEIA is not required directly for the proposal in this report since there is a detailed FEIA for the development of a new leisure and well-being centre, and the forthcoming college provision will be subject to the same considerations.

### **Local issues**

Ward member comments will be verbally reported to Cabinet.

### **Scrutiny Committees**

N/A

### **Equalities Impact Assessment and the Equalities Act 2010**

The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users.

There is no requirement for a detailed Fairness and Equality Impact Assessment as a direct result of this report. A detailed FEIA is already in place for the new Leisure provision, and the forthcoming college provision will be subject to the same consideration in terms of ensuring it is an accessible and welcoming facility that offers opportunity to the full breadth of Newport's diverse communities.

### **Wellbeing of Future Generations (Wales) Act 2015 Crime and Disorder Act 1998**

The project accords well with the five ways of working as set forth in the Wellbeing of Future Generations Act:

**Long Term** – This offer contributes to a sustainable future for the city centre diversifying and increasing its offer. Diversification of the economy, and the provision of a range of services, are identified as a key factor driving the economic sustainability of town and city centres across the UK.

**Prevention** – The project will secure an enhanced provision of the current post-16 educational provision for the city and the region. Improved educational outcomes reduce the incidence and impact of relative disadvantage and deprivation, preventing poor outcomes across a range of domains including health and income.

**Integrated** – The City Centre Masterplan denotes the Knowledge Quarter as key economic anchor for the City Core area. This potential project will integrate positively with the existing city centre business demography, co-located services in the City Centre, sustainable public transport and wider regeneration proposals.

**Involvement** – The Council has engaged extensively with partner organisations and residents to involve them in the development of this transformational project. Further targeted consultation will be carried out as the form of the future college provision is developed.

**Collaboration** – Newport City Council have worked in partnership with a number of organisations to develop this investment in the future of the City Centre, particularly its partners in the academic sector, its independent leisure provider Newport Live, and the Welsh Government. .

The project is compliant with the well-being goals through improvements to economic, social and environmental aspects of both the immediate property and surrounding area as follows:

**Goal 1 – A Prosperous Wales**

By providing much needed academic investment, increasing skills and employment opportunities, as well as supporting existing City Centre businesses.

**Goal 2 - A Resilient Wales**

Through diversifying the existing City Centre economy, addressing the impact of the pandemic on the retail sector, and the provision of modern, energy efficient and accessible buildings and services.

**Goal 3 - A Healthier Wales**

By improving educational outcomes and prosperity and encouraging access to each facility by sustainable transport – either rail, bus or active travel.

**Goal 5 - A Wales of Cohesive Communities**

By ensuring the provision is open and accessible to all members of Newport and the region, and the full diversity of its communities and population.

**Goal 6 - A Wales of Vibrant Culture and Thriving Welsh Language**

The development will recognise and celebrate at all times the Welsh language.

**Goal 7 - A Globally Responsible Wales**

By securing investment for southeast Wales and the local supply chain and businesses. Applying sustainable regeneration principles based around this engagement of local suppliers will ensure that the objectives contribute fully to a globally responsible Wales.

## **Consultation**

Wider consultation was undertaken in association with the original Cabinet report proposing a new measure and well-being centre and also in connection with the joint planning application submitted by the Council and Coleg Gwent.

## **Background Papers**

none

**Dated: 15 November 2022**