

**Report of the Cabinet Member for  
Enterprise, Development & Regeneration**

**Cabinet - 19 January 2017**

**FPR7 UPDATE - ACQUISITION OF LLYS DEWI SANT AND  
DISPOSAL OF LAND AT THE VETCH FIELD TO  
ACCOMMODATE A REPLACEMENT FACILITY**

<b>Purpose:</b>	To include the revised budget within the Capital Programme.
<b>Policy Framework:</b>	City Centre Strategic Framework.
<b>Reason for Decision:</b>	To comply with Financial Procedure Rule No.7 (Capital Programming and Appraisals) - to commit and authorise schemes as per the Capital Programme or to include new schemes in the Capital Programme.
<b>Consultation:</b>	Legal, Finance, Access to Services
<b>Recommendation(s):</b>	It is recommended that Cabinet:  1. Commit the revised budget to the Capital Programme for 16/17 and 17/18
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## **1.0 Background**

- 1.1 In March 2015 Cabinet approved terms for property transactions to facilitate the relocation of a residential facility currently forming part of the proposed St David's development site. The transactions included the Council acquiring Grwp Gwalia's (Gwalia's) existing long leasehold interest in the Llys Dewi Sant building on St David's Place and the disposal of a similar interest on part of the Vetch site for a replacement building, the construction of which was to be funded by Gwalia from the proceeds of the sale of its interest and Social Housing Grant. At the time of the Cabinet report it was envisaged that no other funding would be necessary based upon Gwalia's projected development costs at the time

- 1.2 The financial implications as set out in the Cabinet report were also approved and the scheme added to the Council's Capital programme.
- 1.3 The Council and Gwalia exchanged conditional contracts in March 2016 subject to certain conditions including the grant of a satisfactory planning consent for the Vetch development and the Council approving any changes to the financial implications of the transaction.
- 1.4 The determination of the planning application for Gwalia's scheme has been delayed over issues regarding a flood consequences assessment for the scheme. After extensive discussions with National Resources Wales (NRW), NRW are satisfied that the flood risk to the above proposed development can be managed effectively and the application was approved by Planning Committee on 6<sup>th</sup> December 2016.
- 1.5 Gwalia tendered the construction contract for the development in January 2016 on the basis of which Welsh Government scheme approval was received to confirm the level of grant funding. Due to the delays encountered in the scheme receiving planning consent these tendered costs have since increased in line with agreed published construction cost indices. However now that planning consent has been granted Gwalia are in a position to more accurately assess the final costs of the scheme. As a result it is clear that the proceeds from the disposal of its interest in Llys Dewi Sant together with the awarded Social Housing Grant will be insufficient to fund the scheme and therefore the envisaged shortfall will have to be met by the Council if the transaction is to progress. This report seeks approval for the revised financial implications to be included in the Capital Programme allocated for 2016/17 and 2017/18 to allow this scheme, essential to the delivery of the St David's development, to progress.

## **2.0 Revised Terms for Transactions**

- 2.1 The Council will receive a consideration of £220,000 from Gwalia for the disposal of the lease of part of the Vetch site. This sum will however be paid over by the Council to the Sports Council for Wales in accordance with the terms of a historic grant award. The Council will pay to Gwalia £1.5M in consideration for its lease in Llys Dewi Sant plus compensation payable to Gwalia's residents as a consequence of the relocation (estimated at £200k) to the Vetch. All values quoted have been verified by the District Valuer.
- 2.2 The forecast costs provided by Gwalia for the proposed development are:-

	£'000
Vetch Land Payment	220
Construction Costs (inc Fees)	3,800
Contingency (5%)	190
Residents' Compensation	200
CCS Stamp Duty	65
<b>Total</b>	<b>4,475</b>

2.3 All costs will be incurred by Gwalia on an 'open book' basis to ensure that costs are properly and reasonably incurred.

2.4 The funding currently available under the terms previously approved by Cabinet amounts to:-

	£'000
Llys Dewi Sant payment, fees and compensation	1,634
WGov Social Housing Grant	2,278.5
<b>Total</b>	<b>3,912.5</b>

2.5 There is therefore a budget shortfall of £562.5k (£4,475k - £3,912.5k) which must be met by the Council if the proposed development is to proceed.

2.6 Please note that under the terms of the agreed contract with Gwalia any additional costs reasonably and properly incurred over and above the budget shown would become the responsibility of the Council. As the contract has been tendered and a 5% contingency has been provided for, the risk of the budget being exceeded is deemed to be minimal.

### 3.0 **Financial Implications**

#### 3.1 Capital

3.1.1 The cost of the acquisition of the Llys Dewi Sant site property interests, including fees, stamp duty was estimated in the previous cabinet report as c£1.634M as itemised below:-

Acquisition,	£1,300k
Compensation	£181.5k
Stamp Duty	£52k
Fees	£100k
<b>Total</b>	<b>£1,633,500</b>

It was proposed that these costs be funded by:

- £350k Vibrant and Viable Places grant (already claimed)
- £100k CC legal costs budget (revenue)
- £1,183.5k CC Regeneration Capital programme

3.1.2 The revised costs are:-

Acquisition	£1,500k (increased to reflect DV valuation)
Compensation	£200k (increased due to WGov legislation)
Stamp Duty	£65k (increased due to price increase).
Balancing Payment	£431.5k

**Total** **£2,196,500**

It is proposed that the additional £562.5k be funded as follows:

	£'000
City Centre Redevelopment Match Funding capital code (C06325).	211.5
Revenue contribution to capital (funded in 2015/16)	131
Funding set aside for grant clawback	220
<b>Total additional funding</b>	<b>562.5</b>

The increased budget is not included within the capital budget report which is due to Cabinet In February 2017. If it is approved it will be included on the capital programme.

3.1.3 The previous cabinet report assumed that any costs relating to the development of the replacement church hall required as part of negotiations with the Menevia Doicesan Trust who hold a 999 year lease of the Llys Dewi Sant site would be borne by the developer of the St David's site. Now that a development manager has been appointed to progress the St David's scheme, any costs associated with these obligations will form part of the financial implications of any scheme brought forward for Cabinet decision.

3.1.4 The Sports Council of Wales has a charge on the Vetch property/land together with 2 other sites which will require the Authority to pay over any capital receipt up to the value of £2.9m received for these sites. Consequently the £220k representing the value of the part of the Vetch to be sold will be paid to the Sports Council towards the £2.9M currently outstanding. Also, the Authority is obliged to repay to WGov any capital receipt as a condition of a grant which funded the demolition of the Vetch. WGov has however agreed to waive the payment subject to an additional land charge being placed over the

remainder of the Vetch site with the existing Sports Council charge having priority. Therefore any further capital received from the sale of the other parts of the Vetch will first go towards the payment of the outstanding balance of Sports Council grant, with any leftover then payable to WGov towards the second grant.

### 3.2 Revenue

3.2.1 When the Council acquires Gwalia's lease, the leaseback provisions will be on full repair and insurance basis therefore there will be no additional revenue costs incurred prior to vacant possession. Afterwards it is envisaged that obligations will either be passed on to a developer or the lease be marketed for disposal.

3.3 The financial implications are summarised in Appendix 1.

### 4.0 **Legal Implications**

4.1 The Council will need to comply with the terms and conditions attached to any grant funding utilised in conjunction with the proposed acquisitions identified in this report. All contracts for works, goods and services necessary to deliver the projects must be procured in accordance with the Council's Contract Procedure Rules and the relevant EU Regulations as appropriate. The contractual liabilities/obligations of the Council and any appointed contractors will be covered by the individual contracts entered into.

4.2 Under the Council's constitution, on each occasion that the Council wishes to acquire land the relevant Responsible Officer will instruct the Chief Operating Officer or his nominee to negotiate, settle or confirm the terms of such acquisition after taking into account any relevant statutory provisions or guidance and any advice from the Head of Legal and Democratic Services.

4.3 The terms of any land acquisition by the Council must be in accordance with the market value of the interest to be acquired and must be approved by the Director of Place and any such acquisition must accord with the general principles of the Council's Land Transaction Procedure Rules. The Director of Place confirms that the updated DV report reflects the current market value and approves the valuation in accordance with the Land Transaction Procedure Rules. Furthermore the Council has a statutory duty under S. 123 of the Local Government Act to obtain best consideration for any land disposal which has already been certified by the Director of Place as being achieved at Cabinet on 17<sup>th</sup> March 2015

## **5.0 Equality and Engagement Implications.**

- 5.1 An EIA screening has been carried out and it is considered that a full EIA report is not needed in this instance. The recent Vetch Masterplan Review was the subject of extensive public consultation and the Review of the Swansea City Centre Strategic Framework, which includes proposals for St David's has also been the subject of public consultation. The proposed development of the Vetch site must also comply with statutory requirements and has been subject to the approval of a planning application following a public consultation.

**Background Papers** – EIA Screening Report.

**Appendix 1** – Financial Implications.