

STOCKPORT INTERCHANGE

Appendices Three and Four to this report are confidential by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in respect of which the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Report of the Deputy Chief Executive (Place)

1. INTRODUCTION AND PURPOSE OF REPORT

- 1.1 This report provides an update to members on the progress made on the Stockport Interchange scheme since the Cabinet report in February 2020.
- 1.2 The report seeks member approval for funding required as set out in detail in Confidential Appendix Three of this report to support the delivery of the residential scheme of 196 new apartments alongside authority to establish the legal structure for delivery of the residential scheme.
- 1.3 It also seeks to delegate authority to the Deputy Chief Executive (Place) in consultation with the Cabinet Member for Economy & Regeneration to enter into all legal documentation required to deliver the project and take the necessary steps to implement the strategy set out in this report.
- 1.4 Additionally, the report seeks approval to acquire the land at Exchange Street on the terms set out in Confidential Appendix Four.
- 1.5 The Stockport Interchange will be an iconic and truly transformational development in the town centre which is a key project within Town Centre West. The scheme will deliver:
 - a purpose built modern bus and transport interchange with future-proofed for electric bus capability;
 - a newly created green two-acre town centre park constructed on a blue-green sustainable urban drainage system (SUDS) podium roof above the bus interchange, with a range habitat creation and planting diversity, walking and cycling links and routes, a variety of areas to dwell and informal and innovative play for children and families;
 - a high quality landmark residential scheme will be built providing 196 new homes in the town centre for rent;
 - an elegant landscaped walking and cycling link and bridge connecting Stockport Train Station and the Exchange development with Stockport Interchange the new park and the residential scheme; and,
 - opening up the riverside and creating a new walkway by the River Mersey. This will link the town centre to the Interchange, to Weir Mill and into the heart of Town Centre West

- 1.6 The ambitious proposals that will be delivered are a game change in terms of the continued investment and change in Stockport and support a number of key objectives including brownfield land redevelopment, sustainable transport, walking and cycling, health and wellbeing, town centre living and the Mayoral Development Corporation and Town Centre West.
- 1.7 In addition to delivering the Council's long-standing ambition to redevelop the bus station as a modern transport interchange, the scheme represents another significant step in the Council's work to bring forward residential development as set out in the Town Centre Living strategy.
- 1.8 The latest images of the scheme are included in Appendix One.

2. BACKGROUND

- 2.1 In 2014, the Stockport Interchange scheme was awarded £41.7m from the Greater Manchester Local Growth Fund award to redevelop the existing town centre bus station as a modern transport interchange to be delivered in the period between 2015 and 2020. The lead organisation for the project is TfGM working in partnership with Stockport Council and the Combined Authority.
- 2.2 An outline of the initial Interchange scheme was reported to Environment & Economy Scrutiny Committee and Central Stockport Area Committee in November 2015. The outline scheme anticipated provision for: the Interchange itself; improved links with the railway station; a new bridge across the river onto Heaton Lane; enhanced public realm in Mersey Square; a cycle hub; and associated highway improvements. The approach also ensured that any future Metrolink / Tram Train connectivity to the Town Centre as set out in the Stockport Rail Strategy could be accommodated.
- 2.3 In 2016, the original Interchange design was reconsidered by the Council and TfGM, in conjunction with GM Combined Authority and Department for Transport, as part of a modified approach to the use of Local Growth Fund awards for transport interchanges which looked at options to use significant public investment in key transport nodes to drive forward housing delivery. This modified approach delayed progress on the original scheme during 2016 but also prompted a range of exploratory discussions around the potential introduction of additional and complementary development uses into the Interchange scheme, with a view to maximising the social and economic development value of the site.
- 2.4 In parallel to the exploration of potential opportunities for development of the Interchange, a proposal to deliver the Stockport Interchange Bridge scheme was approved and gained GMCA full approval in summer 2017. These works to provide a new bridge across the River Mersey at Swaine Street were delivered by the Council and completed fully in 2019
- 2.5 The Cabinet report in June 2018 set out in further detail the design for the various elements of the scheme. It also provided approval to proceed with the development scheme to the point of planning submission and the approval of 'patient equity' investment of up to £5m into the residential element totalling £10m.

2.6 The most recent Cabinet report in February 2020 sought endorsement of preferred partners for both the Main Contractor for the entire scheme, and for the Development Partner to bring forward the residential element.

3. PROGRESS SINCE FEBRUARY 2020

- 3.1 There has been significant progress on all fronts in the period since the February 2020 Cabinet report despite the challenges faced from the Covid pandemic. These have been overcome and the exciting stage has been reached where early enabling works have now started on the main site in part and in advance of main works package later in the year.
- 3.2 *Planning* – Pre-commencement conditions are in the process of being submitted and discharged in a coordinated and phased manner to enable works to progress on the main site.
- 3.3 *Design* – RIBA Stage 3 design has now been completed on the scheme and Stage 4 is due to commence imminently. Further work continues on a number of elements such as the park and a potential ramp down from the podium to the riverside. Further detail on the design can be seen in the images in Appendix One but the most significant change has been the alteration to the residential scheme to move for a one core strategy to a two core strategy giving two means of escape from the building in view of emerging policy and best practice changes following the Hackitt report.
- 3.4 *Procurement* – the Cabinet report in February 2020 approved the selection of Wilmott Dixon as the main contractor for the scheme and CityRise – a partnership between Cityheart and Rise Homes – as the Residential Development Partner. The completed RIBA Stage 3 design has latterly been issued for pricing by Wilmott Dixon's supply chain to support the agreement of a Contract Price for the subsequent detailed design and construction of the works. Once finalised and subject to appropriate governance, the intention is that a formal contract will be awarded to Wilmott Dixon in December 2021.
- 3.5 *Temporary Bus Station* – despite difficulties with various stages of lockdown, and complications with drainage and ground issues works have progressed well at Heaton Lane car park where the temporary bus station is being created at surface level. Subject to lead in times for selected items the works should be completed in August/September 2021. Latest progress can be seen in the images in Appendix One.
- 3.6 *Interchange Site* – The first early works package have commenced on the main site which is an important small step. These are works at the River Mersey/Swaine Street/Astley Street part of the site. Bus shelter stand Z is now largely demolished, archaeological works completed and a hoarding fence has been erected to northern boundary. Following successful completion of Heaton Lane temporary facility the main scheme works can start in earnest.
- 3.7 *Town Centre Park* – there is a unique and exciting opportunity to create a new town centre park for all the people of Stockport and the wider area to shape, own and ultimately enjoy. We are currently undertaking a wide ranging exercise seeking people's views on how to use and make the most of a new park. Families, Primary

Schools, Stockport College, a variety of forums and focus groups, the voluntary and community enterprise sector, and the business community, together with Stockport residents to ensuring the views and ideas are sought across as many different people and groups as possible. Images of the engagement materials are included in Appendix Two of this report

- 3.8 *Bridgescape link* – the original planning permission for the scheme was a hybrid consent which provided full consent on the majority of elements but the link bridge between the Rail Station and the Interchange podium was an outline consent subject to a Reserved Matters application. This is currently with the Local Planning Authority for consideration and the latest images are included in Appendix One.
- 3.9 *Land at Exchange Street* – terms have been agreed with the current freeholder for the acquisition of the land required for the above. The heads of terms are attached at Confidential Appendix Four.
- 3.10 *Legal Structure* – Cabinet in February 2020 delegated the authority to progress the development of the scheme and any delivery model to the Deputy Chief Executive (Place) and Deputy Chief Executive (Corporate and Support Services) in consultation with the Leader of the Council and the Cabinet Member for Economy & Regeneration. To date, an Interim Collaboration Agreement has been entered into with TfGM, GMCA and CityRise to cover the period of pre-construction. It is intended that the Council, GMCA and CityRise will subsequently enter into a formal legal structure to govern the funding, delivery and ongoing management and operation of the residential development. A full suite of documentation which will govern the relationship between the partners in the residential element of the scheme and the relationship with TfGM during the construction phase and beyond is in draft form. This documentation will continued to be progressed and will be completed prior to the commencement of construction. Details of the proposed structure is set out in Confidential Appendix Three.
- 3.11 *Brownfield Housing Fund Grant* – as reported to Cabinet in April 2021, the scheme has been successful in obtaining £3m of GM Brownfield Housing Funding to support the delivery of the new homes. This is in addition to the £3.8m of Housing Infrastructure Funding awarded through Homes England.
- 3.12 *Cycle ramp* – the original scheme for the Interchange provided for the bridgescape link from the Rail Station to the Park with access down to the riverside via the stair core in the Interchange and lifts including an accessible cycle lift. Feasibility work is now underway to establish whether a pedestrian and cycle ramp can be installed as part of the scheme to provide a link down to the riverside and into the Town Centre.
- 3.13 *Programme* – a high level programme is set out below:
- Early works start main site – May 2021
 - Heaton Lane completion- August 2021
 - Demolition & Site Clearance on main Site – September 2021
 - Main Contract Award and commencement of main works – December 2021
 - Interchange completed – 1Q 2024
 - Bridgescape completed – 1Q 2024
 - Park completed – 1Q 2024
 - Residential completed – 3Q 2024

4. CURRENT SITUATION AND PROPOSED FINANCIAL POSITION

- 4.1 The transport interchange elements of the overall scheme are being delivered and funded by TfGM. The new park is being delivered and funded through the Council, TfGM, GMCA and the Mayor's Cycling and Walking challenge fund. CityRise are the procured development partner leading on the residential scheme with support from the Council, GMCA, Homes England Housing Infrastructure Fund and GM Brownfield Housing Fund.
- 4.2 The collaborative partnership model has been employed successfully by the key stakeholders bringing the components of the scheme to the present position. In order to progress with the next stage of the residential scheme a formal legal structure needs to be established between the residential partner, CityRise, GMCA and the Council. This will secure the required funding and obligations from the parties. This structure would enable the build contract for the residential scheme to be signed at a point in future. The 'in principle' agreement to enter into this legal structure is sought through this report.
- 4.3 In the June 2018 report, there was a projected total costs and funding breakdown for the residential build. The current projection for these figures is included in Confidential Appendix Three to this report.
- 4.4 The costs are being met in part by CityRise who are providing both equity and senior debt into the scheme alongside the secured grant funding assistance. The residential scheme has always had a further funding gap that was to be filled with the proposed 'patient equity' element from the Council and GMCA to ensure scheme delivery. The details of this are included in Confidential Appendix Three.

5. LEASES

- 5.1 Prior to construction works starting on site:
- 5.1.1 TfGM's current leasehold interest in the site will be surrendered to the Council;
- 5.1.2 The Council will grant TfGM a 62 year lease of the Interchange area. Out of this lease, TfGM will grant the Council back a sub-lease of the park area for a term of just less than 62 years; and
- 5.1.3 The Council will grant the structure to be established between GMCA, the Council and CityRise a 250 year lease of the land required for the Residential Development.
- 5.2 Drafts of these documents are currently being progressed by the parties.

6. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 6.1 Revenue and Capital consequences of report recommendations

6.1.1 Governance had already been sought and authorised for Council supporting capital support for the scheme and the details of this are set in Confidential Appendix Three.

6.2 The effect of the decision

6.2.1 Approving the decision would complement and mirror the GMCA approval and support for the residential development. It would demonstrate the commitment to the project from both the Council and GMCA and would provide the necessary endorsement and confidence to CityRise to formally enter into the future delivery structure.

6.3 Risks

6.3.1 Without the funding the scheme would not be able progress as intended and the opportunity to deliver the development would be at risk.

6.3.2 Cabinet have been advised previously of the justification for the longer term patient equity investment. The risks regarding this structure are set out in Confidential Appendix Three.

6.3.3 Until there is a fixed price build contract signed there is the potential for costs to further increase as well as decrease, however the information at present is the most robust and best available, and the costs are inclusive of contingency and inflation provisions.

6.4 Options

6.4.1 There are limited alternative options to replace the Patient Equity requirement The stakeholders have been able to secure additional grant funding via the Brownfield Housing Fund which will contribute £3.0m to the project.

6.4.2 A lengthy redesign and cost efficiency engineering exercise has been undertaken to maximise design efficiencies but to ensure that the quality of this important scheme is not diminished. Aggressive cost reduction would present false economies with certain cost savings not been able to maintain the value targets for the scheme resulting in reduced costs but reduced value too resulting in comparable viability gap position with a lower quality scheme.

6.5 Future savings/ efficiencies

6.5.1 Further detailed work is ongoing by the entire design team and the main contractor to work to reduce costs where appropriate. If such savings are discovered then there would be subsequent savings in the residential design will be passed through to the Patient Equity requirement.

7. LEGAL CONSIDERATIONS

7.1 The Residential Scheme will receive public funding in the form of both grant funding and equity investment. The equity investment is considered to meet the definition of a 'Subsidy' (in addition to the grant) due to the nature and form of

investment being more favourable than could be obtained from a commercial investor. As such, it is necessary to demonstrate that the investment complies with a set of Common Principles set out in the new UK Subsidy Control regime. Further detail is set out in Confidential Appendix Three.

7.2 Section 120 of the Local Government Act 1972 enables the Council to acquire any land by agreement for the purposes of:

7.2.1 any of its functions under the Local Government Act 1972 or any other enactment, or

7.2.2 the benefit, improvement or development of its area.

7.3 Acquisition can take place notwithstanding that the land is not immediately required for that purpose.

8. HUMAN RESOURCES IMPACT

8.1 N/A

9. EQUALITIES IMPACT

9.1 N/A

10. ENVIRONMENTAL IMPACT

10.1 The design team have worked extensively to consider how the building fabric will respond to its environment to reduce the energy consumption of the building as far as possible through passive means. Energy efficient building fabric and services have been included in the design. A Part L thermal model has been built to assess a range of carbon reduction strategies and determine compliance with Part L2A of the building regulations.

10.2 *Renewable Energy* - all potential options for renewable energy including solar/thermal PV, heat pumps that are determined to be cost effective have been explored. PV maximised and mounted at roof level has been chosen for this building. It is hoped to increase the PV area during the Stage 4 design by freeing up additional space at roof level.

10.3 *Lighting* - energy efficiency lighting facilities that are standardised throughout, including LED.

10.4 *Electric Vehicle Charging* - 10No. 7kw EV charging points complete with a central load management system.

10.5 *Cycle Storage* - 196 no. spaces (Sheffield and semi vertical) located at Upper Ground Level

11. CONCLUSIONS AND RECOMMENDATIONS

11.1 The Scrutiny Committee is requested to comment on and note the report.

11.2 Cabinet is requested to:

- (a) Agree to the Council patient equity investment set out in Confidential Appendix Three of this report;
- (b) Approve the entry by the Council into a legal structure with GMCA and CityRise to govern the funding, delivery and ongoing management and operation of the residential development;
- (c) Delegate authority to the Deputy Chief Executive (Place) in consultation with the Cabinet Member for Economy & Regeneration to enter into all legal documentation required to deliver the project and to take the necessary steps to implement the strategy set out in this report;
- (d) Approve the acquisition of the land at Exchange Street on the terms set out in Confidential Appendix Four;
- (e) Delegate authority to the Strategic Head of Service (Legal & Democratic Governance) to do all things necessary or incidental to the implementation of the above-mentioned resolutions.

BACKGROUND PAPERS

There are none.

APPENDICES

Appendix One – Interchange Images

Appendix Two – Park Engagement Material

Confidential Appendix Three – Finance and Structure Report

Confidential Appendix Four – Heads of Terms, Exchange Street

Anyone wishing to inspect the above background papers or requiring further information should contact Paul Richards on Tel: 0161-474-2940 or by email on paul.richards@stockport.gov.uk