

# Cabinet Agenda

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**Date:** Tuesday, 21st April, 2015  
**Time:** 2.00 pm  
**Venue:** Committee Suite 1, 2 & 3, Westfields, Middlewich Road,  
Sandbach CW11 1HZ

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This is a supplementary agenda paper relating to Items 10 and 11 on the Cabinet agenda.

**PART 1 – MATTERS TO BE CONSIDERED WITH THE PUBLIC AND PRESS PRESENT**

**10. Strategic Acquisition - Crewe** (Pages 1 - 22)

To receive a report on a strategic acquisition in Crewe Town Centre.

**11. Crewe Bus Interchange Facility** (Pages 23 - 30)

To consider a report on a feasibility study and site option appraisal in relation to a proposed bus interchange facility for Crewe.

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## CHESHIRE EAST COUNCIL

### Cabinet

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**Date of Meeting:** 21<sup>st</sup> April 2015

**Report of:** Executive Director of Economic Growth & Prosperity

**Subject/Title:** Strategic Acquisition – Crewe:  
For information - notification of a decision taken using Urgency Powers (Cabinet Procedure Rule No. 53)

**Portfolio Holders:** Cllr Peter Raynes (Finance)  
Cllr Don Stockton (Housing and Jobs)

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#### 1.0 Report Summary

- 1.1 Crewe town centre is at a pivotal point in terms of its potential to attract new investment, increase footfall from residents and visitors, and instil greater civic pride. A revival is already underway, instigated in part by the Council's commitment to the new £15m Lifestyle Centre and the approval of a University Technical College (UTC) for Crewe. Alongside this is the prospect of major investment in a new HS2 North-West Hub at Crewe. It is vital that the Council continues to apply its resources and influence to help accelerate the town centre's regeneration and growth.
- 1.2 Options for delivering this regeneration through enhancing the town centre's retail, leisure and business 'offer' to the wider area have been identified in the development of a *Regeneration Delivery Framework for Growth*, which is being considered as a separate item by Cabinet. During the process of developing the Framework, it has emerged that one key town centre property, known as 'Royal Arcade' is now available for acquisition. This property provides the most viable prospect of delivering a transformative regeneration scheme within the town centre.
- 1.3 The Council has recently been negotiating with the owner of Royal Arcade, Crewe through our respective agents, in consultation with the Leader and relevant Portfolio Holders. Based on these negotiations, the Council has agreed Heads of Terms and a contract with the vendor for acquisition, subject to formal approval. Due diligence with respect to site surveys and detailed commercial appraisal has been undertaken. This report provides background on the opportunity that this property presents for Crewe and the pivotal role that the Council could play with the property in its ownership.

## **2.0 Recommendations**

2.1 Cabinet is recommended to note that the following decision was taken under Cabinet Procedure Rule No 53 of the Council's Constitution:

- a) To acquire the freehold of the 'Royal Arcade' property in Crewe town centre for £6.0m, and enter into all necessary legal documents.
- b) To approve expenditure on all costs associated with the acquisition, including VAT (which will be recoverable) stamp duty, surveys, professional fees, etc.
- c) To authorise officers to develop a business case to support redevelopment plans for this property as part of the wider regeneration of Crewe town centre.
- d) To authorise officers and/or the Council's agents to communicate with current lessees following acquisition and to engage with them as well other Crewe businesses and residents in any consultations in relation to the future use of the site.

## **3.0 Reasons for Recommendations**

3.1 The Council was required to complete the acquisition of the Royal Arcade site as a matter of urgency to safeguard the Council's best and final offer, due to other potential interest in the market.

3.2 The Council has recently been negotiating with the owner of Royal Arcade, Crewe through our respective agents, in consultation with the Leader and relevant Portfolio Holders. Based on these negotiations, the Council agreed Heads of Terms and subsequently exchanged contracts with the vendor, following formal approval using urgency powers. Due diligence with respect to site surveys and detailed commercial appraisal has been undertaken.

3.3 The remainder of this report provides background on the opportunity that this property presents for Crewe and the pivotal role that the Council could play with the property in its ownership.

3.4 The draft *Crewe Town Centre Regeneration Delivery Framework for Growth* identifies both current constraints and the significant opportunities to regenerate key parts of Crewe town centre leading to its strengthening overall. Whilst the retail sector is experiencing significant change nationally and globally, the Crewe town centre core is assessed as having great potential as a destination, which is not being harnessed currently. This opportunity is further heightened when considering the even greater potential of the longer-term prospects offered through securing Crewe as HS2's North-West Gateway, and the prospect of a rapid transit link between a new station and the town centre.

- 3.5 During the process of developing the Framework, a key town centre property known as 'Royal Arcade' became available for acquisition. This property provides the most viable prospect of delivering a transformative leisure-led regeneration scheme within the town centre. Due to the state of the development markets, it is understood that there is limited interest in large-scale redevelopment schemes that aren't already well advanced and particularly where there is uncertainty over land assembly or where up-front costs associated with this are significant. We are advised by DTZ that there is now potential leisure and retail operator demand, if a proposition can be developed with a measure of certainty with regards to delivery. The Council is best placed as a key stakeholder to lead in facilitating the regeneration of this site and the revival of the town centre.
- 3.6 The current operator and lessee of Crewe bus station, which is within the Royal Arcade site, has given notice of their intention to cease operations from 1st May 2016 when the current lease arrangement expires. In the short term there is a need to identify an interim replacement bus interchange facility in the town centre. A feasibility study has been undertaken to identify and examine both on street and off street options, and further detailed options will be considered by Cabinet. One option which could be included is a replacement bus interchange within the Royal Arcade site.

#### **4.0 Wards Affected**

- 4.1 All Crewe Wards

#### **5.0 Local Ward Members**

- 5.1 All Crewe Ward Members

#### **6.0 Policy Implications**

- 6.1 The proposal in this report relates directly to four key outcomes identified in the Council's Three Year Plan:

**Outcome 2: Cheshire East has a strong and resilient economy.** Cheshire East is known as a good place to do business – we attract inward investment, there is access to a high quality workforce and our businesses and visitor economy grow, to create prosperity for all.

**Outcome 4: Cheshire East is a green and sustainable place.** Cheshire East's rural and urban character is protected and enhanced through sensitive development, environmental management, transport and waste disposal policies.

**Outcome 5: People live well and for longer.** Local people have healthy lifestyles and access to good cultural, leisure and recreational facilities. Care services focus on prevention, early intervention and physical and mental wellbeing.

- 6.2 This report aligns strongly to the Council's *Economic Development Strategy* and its more recently created *Vision and Strategy for Economic Growth: East Cheshire*

*Engine of the North*, which articulates the need to increase investment in our town centres, by ensuring they offer themselves as attractive locations for retail and leisure operators.

- 6.3 As part of the Council's All Change for Crewe regeneration programme, there is previous work that has laid the way for this report. This includes:

*Prospectus for Crewe*: Sets out the Council's development priorities for the town centre, based on five key zones, and three development areas under the Council's influence. This served to garner interest from the development community and instigate dialogue which has helped to inform this report.

*All Change for Crewe - High Growth City*: Reflects recent progress in the wider Crewe area, including Bentley's expansion, plans for geothermal energy and investment secured to enhance connectivity through road and rail.

- 6.4 Acquisition of this site and any subsequent redevelopment could present opportunities relating to other Council policies and service priorities.
- 6.5 In particular, consideration should be given to the use of part of the property as an interim or longer-term solution to the requirement to provide a replacement bus interchange facility. Any proposal to provide this would be in line with the strategic priorities of the Council's Local Transport Plan (LTP) to "create conditions for business growth" and "ensure a sustainable future". The LTP includes a number of policies relating to public transport integration and facilities (Policy S3) and public transport service levels and reliability (Policy S4).
- 6.6 Account has also been taken of the World Health Organisation 'Age Friendly Cities', which seeks to ensure that the towns are positioned to tap into the potential and needs of older people as residents and users of town centres.

## **7.0 Implications for Rural Communities**

- 7.1 The acquisition of this strategic asset promotes the economic prosperity of Crewe town centre. This has a direct relationship with residents and businesses across the wider South Cheshire area, including rural communities.

## **8.0 Financial Implications**

- 8.1 DTZ, an independent consultancy firm, has provided agency and development appraisal advice to the Council in relation to possible acquisition of the Royal Arcade site. The site will be acquired on the basis of an investment, whilst recognising the future redevelopment potential of the site and considering advice and due diligence from a commercial and legal perspective, and in accordance with the Council's financial regulations.
- 8.2 Crewe Town Centre Regeneration is a named scheme within the 2015/18 Capital Programme approved by Council in February 2015. It is proposed that the acquisition of this site at the value of £6.0m and estimated associated costs of up to

£400k will be charged to this scheme. The Council will continue to seek to secure external grant funding to contribute towards the costs of future development.

- 8.3 Acquisition is based on due diligence that evidences an anticipated yield will generate sufficient returns for the Council to more than cover its costs of continued operation 'as is' and interest charges. Based on a £6.0m acquisition and a contracted income of £447,540 p.a. adjusted for current shortfalls (i.e. service charge, insurance and empty rates mostly relating to the vacant units) and without income from a major tenancy ending in May 2016, the net yield would be 7.05% ("net" assumes conventional acquisition costs of 5.80% which includes stamp duty, survey and legal fees, which are payable in addition to the agreed £6.0m price).
- 8.4 Through any Council or developer-led regeneration scheme, the Council will seek to consult Crewe residents and businesses, including current lessees, on what it seeks to specify within a new development – this could include leisure, retail and other uses, but will be subject to understanding the commercial viability of such uses.
- 8.5 The identified expenditure would increase the Council's capital financing requirement and, in the short term, repayment charges would have to be made. Rental income will be available to support the debt repayment charges, however the time period for these receipts cannot be guaranteed and therefore the financing costs remain as a risk to the Council.

## **9.0 Legal Implications (Authorised by the Head of Legal Services)**

- 9.1 The Localism Act 2011 introduced the General Power of Competence, which allows the Council to do anything an individual can do, provided it is not prohibited by other legislation. These powers have replaced the previous wellbeing powers, however, the use of these powers must be in support of a reasonable and accountable decision made in line with public law principles.
- 9.2 Notwithstanding the above powers the Council has a fiduciary duty to the taxpayers and must fulfil this duty in a way that is accountable to local people.
- 9.3 The Council has sought to acquire the property at the most competitive price.
- 9.4 DTZ has provided agency and high level development appraisal advice to the Council in relation to possible acquisition of the Royal Arcade site. Based on information provided by the current owners (which has been verified as part of the pre-acquisition due diligence process), the market value of the site is considered to be up to £5.0m. Through an extended negotiation process, it is evident that the vendor will not sell the property at this price, and has sought to achieve in excess of £7.0m.
- 9.5 Given that the Council is seeking to acquire the property for above what is considered to be market value, it is required to obtain an independent justification as to why a higher price is being proposed. DTZ have advised that:

- a) the Council could be considered a “special purchaser” since the rationale for the acquisition is to lead and support the regeneration of Crewe town centre. Ownership and control of this key asset significantly underpins the ability to achieve this.
  - b) the successful regeneration of the town centre and redevelopment of the Royal Arcade site would improve the prospect for growth in the value of other Council assets nearby and may give rise to the opportunity for ‘marriage value’ to be realised.
  - c) the Council could be in a position to benefit from the uplift in business rates over a considerable period of time under the extended rates retention proposals announced in the recent Budget. This would have improve the returns from the Royal Arcade with additional uplifts potentially arising across the wider town centre as a result of an improvement to Crewe’s leisure and retail offer.
  - d) a future redevelopment scheme on this site would realise benefits for the local economy and the residents and businesses of Crewe, bringing employment, stimulating the evening economy and extending ‘dwell time’ to the benefit of businesses in the town centre.
  - e) the purchase of the asset by private treaty avoids the need for a Compulsory Purchase Order (with its attendant risks and costs) to achieve this same goal. In doing so, this lends certainty and will improve the attractiveness of a future redevelopment to potential delivery partners.
  - f) DTZ’s Fair Value research identifies that retail property in capital value terms is the most undervalued sector relative to the other asset classes and therefore there is relatively more scope for growth in future.
- 9.6 Agreeing to exchange and complete contracts for the acquisition of Royal Arcade would be based on evidence that its anticipated yield will generate sufficient returns for the Council to more than cover its costs of continued operation ‘as is’ and interest charges. The net income after service charge shortfalls and empty rates in respect of the vacant units, as presented by the vendors is currently £684,535 pa. DTZ’s estimate based on their investigations to date is slightly lower at £682,386 pa
- 9.7 DTZ has advised on the yield which would satisfy the Council’s requirements on an investment basis. This takes into account that it would reduce further to reflect any empty rates, insurance and other costs associated with the expiry of the bus station lease, although steps would be taken to mitigate these.
- 9.8 DTZ has also identified a number of employees who may transfer to the Council under the operation of the Transfer of Undertakings (Protection of Employment Rights) Regulations 2014 (TUPE). The Council will have to be mindful of its responsibilities as the transferee under the Regulations.



- 9.9 Any future procurement of a commercial development partner will be required to follow the Council's contract and procurement rules and will be subject to a further Cabinet decision at a later date.

## 10.0 Risk Management

- 10.1 This decision to acquire the site was based on due diligence which has been undertaken on all key aspects of the acquisition of the property, including tenancy matters, surveys and other matters than may affect the final valuation/offer.
- 10.2 In acquiring the property, the Council is mindful of the risks identified below. All risks have been fully evaluated and appropriate mitigation is in place, or underway, to reduce the impact should an issue materialise.

<b><u>Investment risks</u></b>		
<b>Risk</b>	<b>Evaluation</b>	<b>Mitigation</b>
Although most information on occupational rights is known, some has not been made available.	Information on the key (highest value) leases is available. Moderate risk in terms of lower value leases in relation to income to Council as investment property.	Lease can be regularised after the acquisition. Valuation / offer price has been revised to reflect scale of risk.
Limited information provided on vendor's current contracts with managing agents.	<p>The Council will need to consider implications of taking on the vendor's current managing agents, which could represent a risk to the Council in terms of its procurement regulations and/or ability to manage transition effectively.</p> <p>There is a TUPE risk if any employees of the managing agents / contractors are employed in relation to the premises for the qualifying period.</p>	<p>Consider procurement issues/options and authorise contract waiver (WARN notice) if required.</p> <p>Continuing to seek clarity in relation to the employee liability information in order to access any risks/costs.</p> <p>The Council may be obliged to accept TUPE transfer and/or pay damages to any employees affected, due to non-compliance with TUPE transfer obligations.</p>
Immediate management arrangements upon acquisition.	The Council as a landlord will have obligations in relation to facilities management such as asbestos, legionella, utilities and maintenance compliance.	This will be managed either in-house or through an external agent.

<b><u>Future redevelopment risks</u></b>		
<b>Risk</b>	<b>Evaluation</b>	<b>Mitigation</b>
Title information indicates some ownerships are as yet unidentified.	Potential impact on future ability to redevelop part of the site. No impact on basis of ongoing uses as an investment property.	Address through use of appropriation powers post-acquisition and possible negotiation/ diversion of rights of way.
The extent of environmental conditions related to future development are currently undefined.	There are likely to be some issues relating to future redevelopment such as contamination related to bus station use, and removal of structures containing asbestos.	The Council accepts these risks and is undertaking staged investigations as to the likely level of contamination / other environmental issues.

## 11.0 Background and Options

- 11.1 Crewe town centre is identified as having a number of constraints including: perception; key gateways to the town are dominated by car parks; movement through the town by foot is in some cases along poor quality corridors/vacant or underutilised buildings; and, of most significance, challenging retail and leisure markets both nationally and locally.
- 11.2 However, post-recession, as developer interest starts to grow and opportunities such as Crewe's offer become more attractive on the back of new investment including HS2 are realised (e.g. connectivity between town centre and a NW Gateway hub, and other infrastructure improvements around the town centre), Crewe needs a strong framework which will showcase the town's development sites and identify a programme of actions to overcome its constraints and build upon its opportunities.
- 11.3 As referred to earlier in this report, last year the Council appointed DTZ to lead in developing a Regeneration Delivery Framework for Crewe town centre. This is the subject of a separate report to Cabinet but, within it, DTZ has identified that "Crewe Town Centre must....establish a new role for itself that is less focused on retail and broadened out to include an enhanced leisure and cultural offer and a better choice of residential accommodation within walking distance of the Town". The Framework goes on to propose a vision for the town centre:

Capitalising on investment proposals such as the planned Lifestyle Centre and the University Technical College and proposed HS2 North West Gateway Hub Station and the Town's growing population, to re-establish Crewe Town Centre as *the* vibrant and attractive "Hub" offering a strong range of retail, leisure, employment and residential opportunities serving local businesses, shoppers, residents, students, visitors and rail passengers.

- 11.4 DTZ identified within the framework that, of the 14 'Opportunity Sites' in the town centre, this is a "priority site where the Council should consider taking a direct role

to deliver the regeneration priorities of the Town Centre” which would be suited to leisure and retail development.

- 11.5 During the process of developing the draft *Regeneration Delivery Framework*, it emerged that the Royal Arcade property - located in the heart of the town centre - is now available for acquisition.
- 11.6 This property provides the most viable prospect of delivering a transformative leisure-led regeneration scheme within the town centre, and we are advised by DTZ that there is now potential leisure and retail operator demand, if a proposition can be developed with a measure of certainty with regards to delivery. The Council is best placed as a key stakeholder to lead in facilitating the regeneration of this site and the revival of the town centre. Given that there is a need to identify both an interim and longer-term replacement bus interchange facility in the town centre, this property represents an opportunity to provide this, subject to further consultation and evaluation of alternative options.
- 11.7 Although there are clear future redevelopment opportunities, acquisition is being undertaken on the basis of the property as an investment. The Council has evaluated the acquisition of this site to form part of its income portfolio, which will support the Council’s overall Strategic Asset Management Plan. The yield on the site of 7.05% is considered to provide the basis of a sound investment proposition, based on advice and due diligence from a commercial and legal perspective, and in accordance with the Council’s financial regulations.
- 11.8 The property occupies site of up to 4.57 acres which includes the current Crewe bus station (leased to Arriva) and 27 other units along the western side of Queensway and the southern side of Victoria Street (mostly retail space, which includes national chain stores). This land forms the majority of a previously proposed scheme known as ‘Delamere Place’, which was advanced by the former Crewe & Nantwich Borough Council and developer Modus, which was withdrawn at the start of the previous recession.
- 11.9 Whilst there are other sites within the town centre that could physically accommodate leisure and retail uses the Royal Arcade site is a preferred choice given its profile as a landmark site within the heart of the town centre, including its connectivity with other complementary uses and public realm.
- 11.10 The timing of the recommendation to acquire the site is also key, given that it has only recently been available for purchase and could be removed from sale, or disposed to a third party at some point in the near future. Coupled with the Council’s increased investment in the town centre, the prospect of HS2’s NorthWest Gateway, and further regeneration plans, this represents a pivotal opportunity to further revitalise Crewe town centre.

## **12.0 Access to Information**

12.1 The background papers relating to this report can be inspected by contacting the report writers:

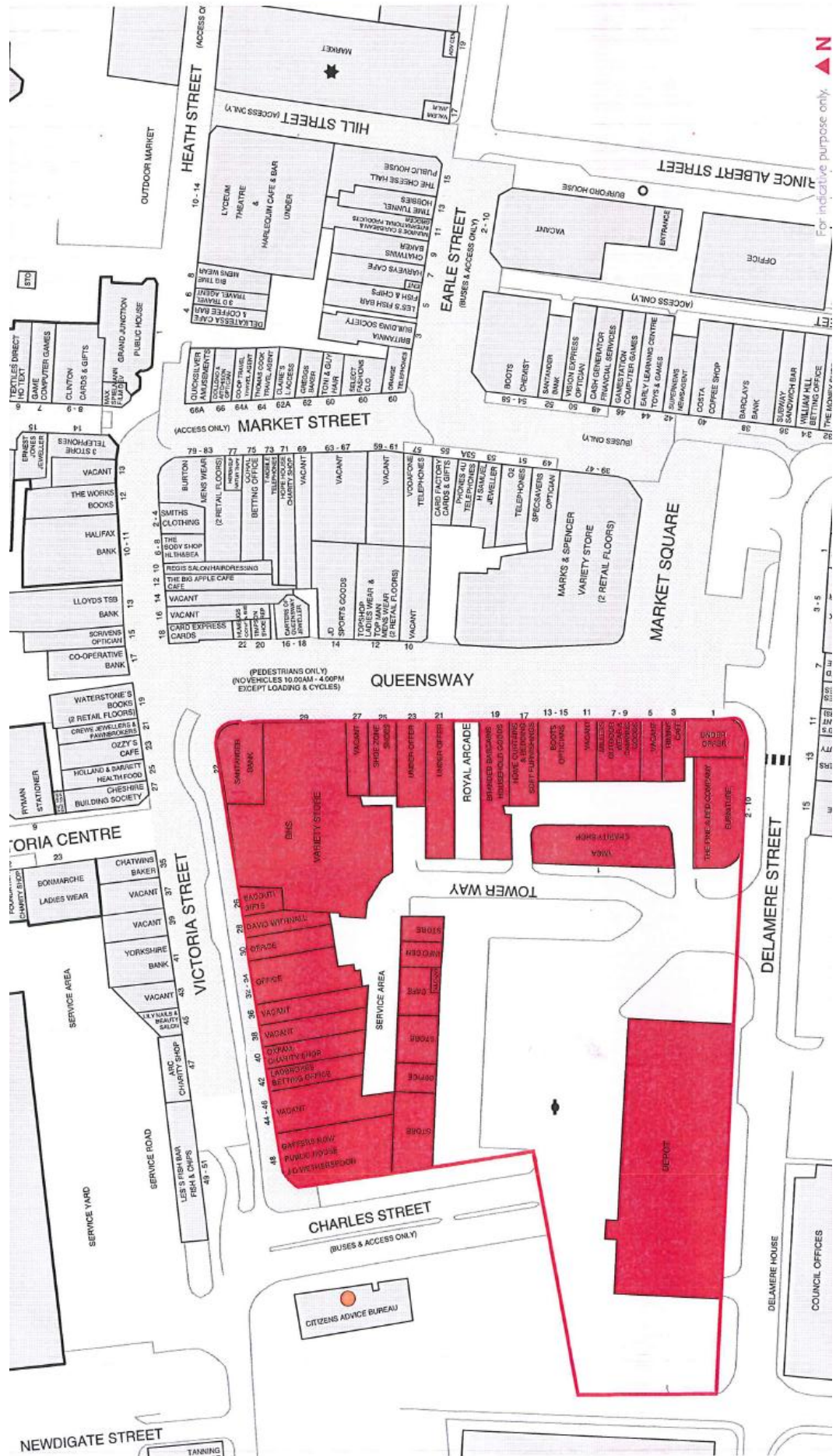
Name: Jez Goodman  
Designation: Regeneration Programme Manager (Crewe)  
Tel No: 01270 685906  
Email: [jez.goodman@cheshireeast.gov.uk](mailto:jez.goodman@cheshireeast.gov.uk)

*Appendix 1: Site plan*

*Appendix 2: Property particulars*

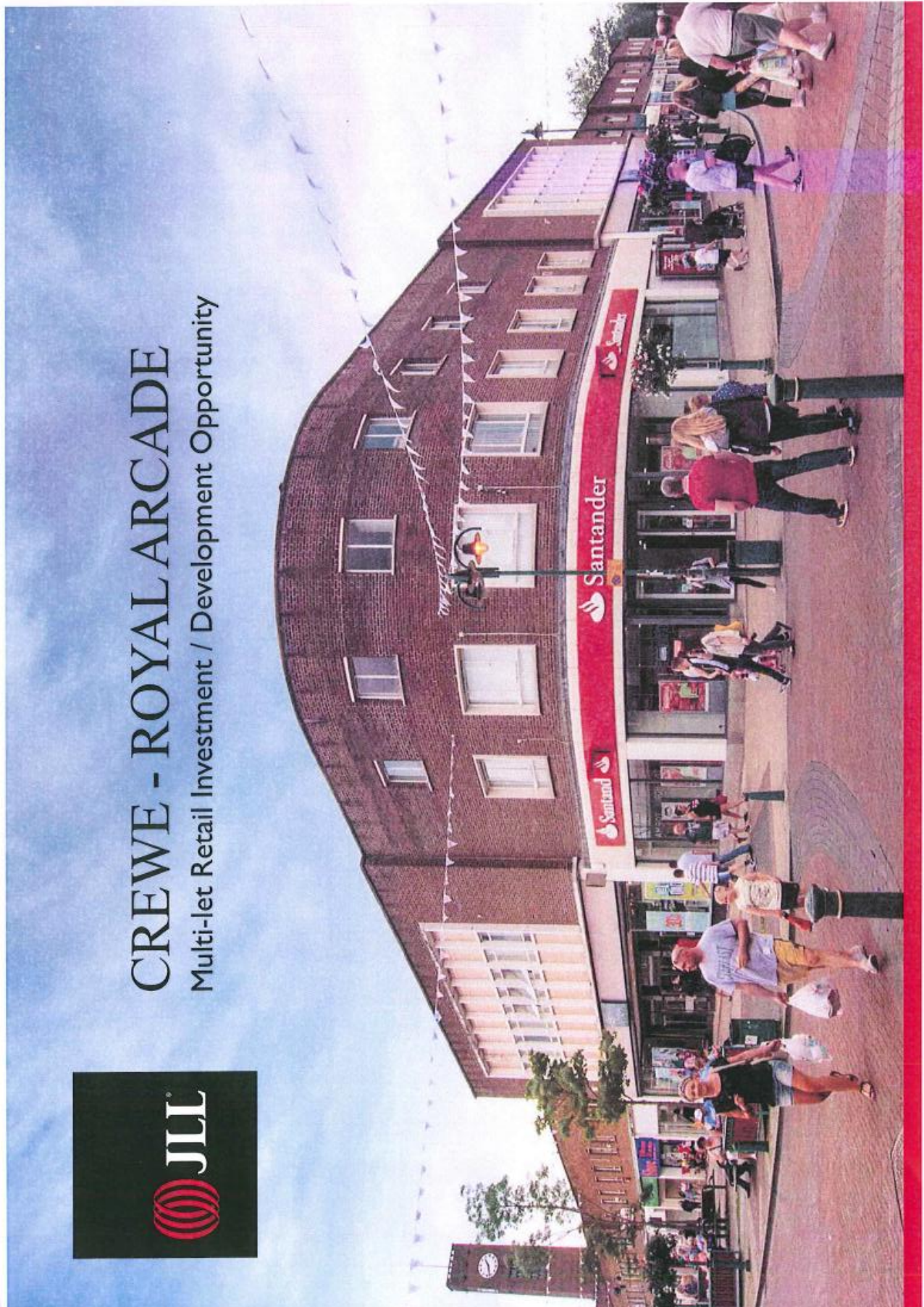
*Appendix 3: Artist's impression of potential development scheme.*

Appendix 1: Site plan - Royal Arcade, Crewe



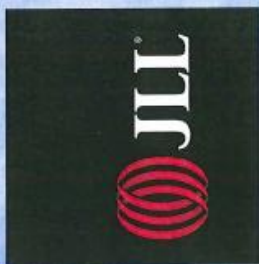
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# CREWE - ROYAL ARCADE

Multi-let Retail Investment / Development Opportunity







Retail Intelligence

### Investment Considerations

- Strategic town centre island site
- Part long income part development site
- WAULT of 13 years
- 3.79 acre site
- Asset management opportunities

• Net Income:	£658,514 per annum
• Offers in excess of:	£7,000,000 (subject to contract)
• Net Initial Yield:	8.9%

Crewe - Royal Arcade





### Location and Communications

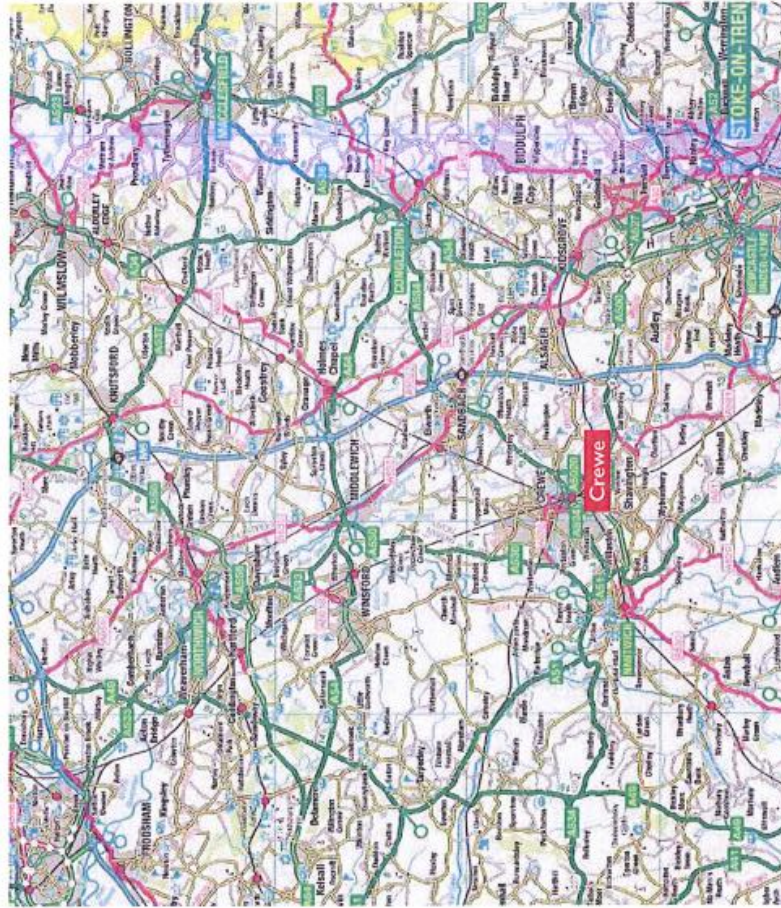
Crewe is an historic railway town located in the county of Cheshire. Manchester is located 44 miles north east of Birmingham, Sheffield is located 58 miles to the south east and London is located 171 miles to the south east.

The town has excellent transport links with the M6 (junctions 16 and 17) lying 5 miles from Crewe town centre. The M6 provides good links to Birmingham to the south and Manchester and Liverpool to the north.

The town offers exceptional rail links to multiple destinations and Crewe Station is the key link in the North West rail network for England, Wales and Scotland. There are 40 trains a day from Crewe to London, running up to 4 times an hour with a journey time of 1 hour 30 minutes. In addition direct trains run to Manchester, Birmingham, Edinburgh, Glasgow, Chester and Liverpool. The proposed Phase One of HS2 train line will run through Crewe. This will reduce the journey time from Crewe to London to 58 minutes.

There are good bus links to the surrounding towns such as Chester and Macclesfield with a bus terminal located within the town centre.

Manchester Airport and Birmingham International lie 33 miles and 61 miles away respectively.



© Google maps 2014





Retail Intelligence



### Local Economy

Historically Crewe was developed as a railway town and still retains its importance today as a major rail junction/distribution hub and centre for locomotive building and repair. Crewe's pivotal position between the North and South of the country on the M6 appeals to distributors from retail and manufacturing. Crewe is the largest town in south Cheshire and the main economic hub. The town houses in the region of 5,000 businesses which include professional services, distribution and logistics, and advanced engineering. Major employers in the town include Bentley Motors (current HQ 3,500 staff), Network Rail, Virgin Rail and Manchester Metropolitan University (Crewe campus).

The Council are committed to enhancing Crewe's profile to ensure regeneration and improving the local economy.

### Situation

The Royal Arcade is located in the heart of Crewe town centre directly opposite Marks & Spencer and Topshop. The site is bounded by Queensway Road running north to south and Victoria Street running east to west.

The town centre is well served by public transport and the bus station which sits to the rear of the property within the ownership.

### Demographics

The total population within Crewe's primary catchment area is 171,000 with an estimated shopping population of 83,000. The Crewe area contains a significant over representation of adults of working age categorised within the most affluent AB social group (which includes those in managerial and professional occupations). The Crewe catchment population is moderately affluent, ranking 59 of the PROMIS Centres on the PMA Affluence Indicator.

Crewe - Royal Arcade





## Retail Intelligence

### Retailing in Crewe

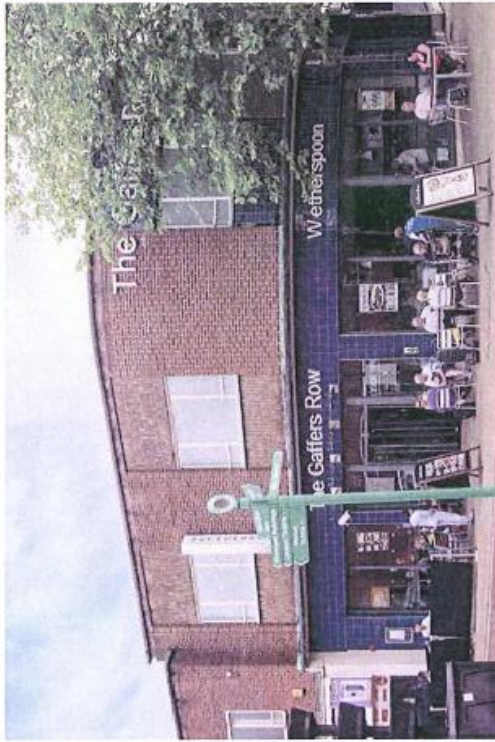
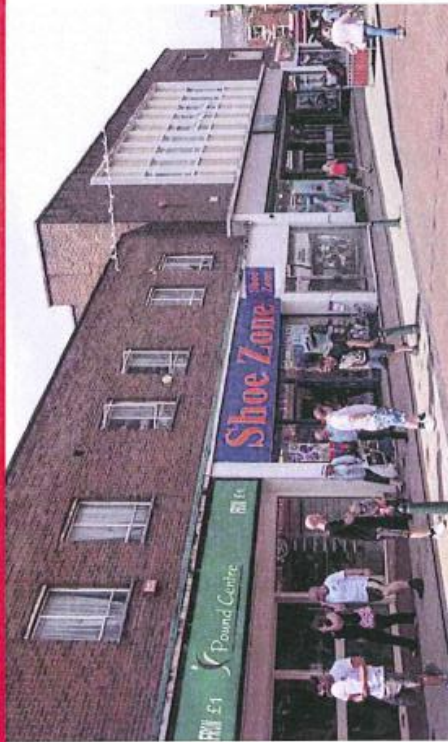
The prime retail pitch within Crewe is located along the pedestrianised Market Street and Queensway, where Marks & Spencer, BHS, Boots, Topshop and JD Sports are located. There are two covered shopping centres in the town. The 147,000 ft² Market Centre is anchored by Wilkinsons with other principal tenants including River Island, Dorothy Perkins, Poundland and Argos. The 135,000 ft² Victoria Centre is anchored by Asda with other tenants including Mothercare and Bon Marche. There is a 170 space surface car park which lies directly behind these two shopping centres, which together with the car parks on Delamere Street (390 spaces) and Victoria Centre (482 spaces) provide the main car parking for the town. The Crewe outdoor market is located on Heath Street.

### Description

The property comprises a prominent island site within the heart of Crewe town centre with a prime retail frontage to Queensway and secondary frontages to Victoria Street and Delamere Street. There are 26 retail units which are arranged over two or three floors and form an unbroken parade.

Within the parade is a 30,000 ft² BHS Store which together with the Santander bank forms a prominent corner site on Victoria Street / Queensway. Other principal tenants include Boots Opticians, Shoe Zone, Blacks, Ladbrokes and JD Wetherspoons.

The total site area is 3.79 acres.



Crewe - Royal Arcade



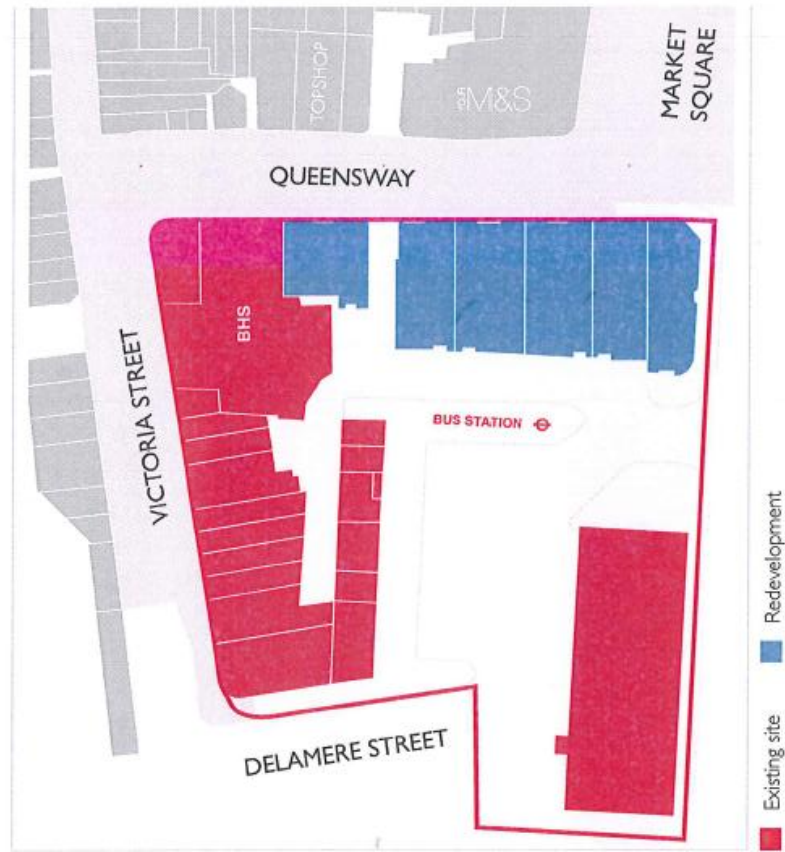
### Asset Management/ Redevelopment Potential

The property offers significant scope for asset management with there being 17 units currently vacant / short let. If a buyer can take advantage of an improving occupational market and let the vacant units at nil rent with the tenants covering the shortfalls only the running yield will rise to 10% off the quoting terms. If the vacant units are let at ERV the running yield will rise to 12.5%.

In the longer term the property offers an opportunity for a more comprehensive redevelopment. There is an opportunity to build 5 or 6 large units for the likes of River Island (relocation), Boots (upsite), New Look (relocation), H&M and Deichmann. By creating store formats in line with current retailer requirements sitting opposite to Marks and Spencer there is the ability to redefine the prime pitch in the town as shown on the following plan.

In addition to this if vacant possession of the bus station could be obtained, there is the opportunity to create a more substantial retail or leisure scheme. There is potential for a new foodstore (Lidl are not in the town). Consideration has also been given to a leisure orientated scheme which would involve a development of the whole site. There is currently only an Odeon Cinema on Phoenix Leisure Park.

Cheshire East Council has a number of town centre sites in close proximity to Royal Arcade which it would consider offers for as part of a wider redevelopment scheme.





The property is held freehold.

## Proposal

We are instructed to seek offers for our client's freehold interest in the region of **£7,000,000** (subject to contract), reflecting a net initial yield of **8.9%** allowing for purchaser's cost of 5.80%.

## EPC

The property has been elected for VAT purposes. It is anticipated that the investment sale will be treated as a Transfer of a Going Concern (TOGC).

An EPC for the property can be provided on request.

### Further Information

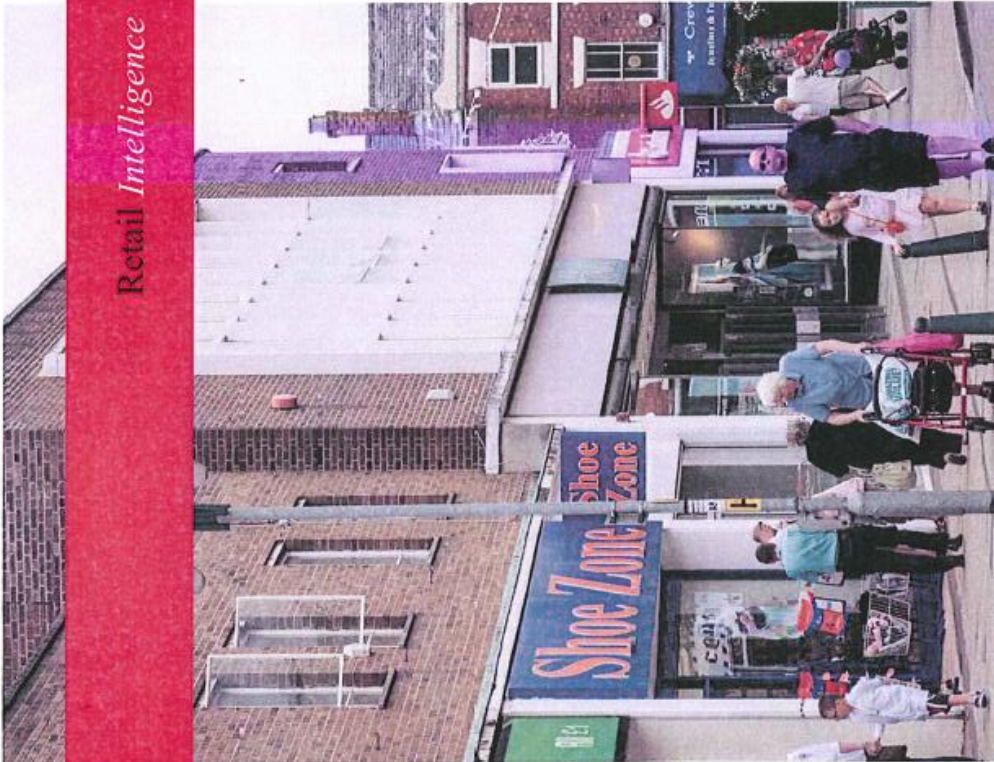
For further information or to arrange an inspection of the property, please contact:



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## CHESHIRE EAST COUNCIL

### Cabinet

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<b>Date of Meeting:</b>	21 <sup>st</sup> April 2015
<b>Report of:</b>	Executive Director of Economic Growth & Prosperity
<b>Subject/Title:</b>	Crewe Bus Interchange Facility
<b>Portfolio Holder:</b>	Cllr David Topping, Service Commissioning Cllr Don Stockton, Housing and Jobs

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#### 1.0 Report Summary

- 1.1 The Council has placed a high priority on the development of a Delivery Framework to support economic growth and regeneration in Crewe. A key component of this is to ensure the provision of excellent public transport facilities in the town which provides residents with access to a wide range of local services and the town centre.
- 1.2 There is the real prospect of Crewe bus station closing when Arriva's current lease arrangement ends on 1 May 2016. The Council has responded proactively to this and a feasibility study is well under way. This has included dialogue with local bus operators and a site appraisal to identify the potential solutions for a high quality replacement facility.
- 1.3 The Council will be talking to bus users and the town's residents to identify the best possible solution which meets the current and future needs of residents.
- 1.4 This exercise is about identifying the best solution for Crewe's residents and local businesses and meeting the Council's high ambitions for the town.
- 1.5 The purpose of this report is to outline the findings of the feasibility study and site option appraisal and propose a series of next steps. This report is fully aligned with two complementary Cabinet reports entitled:
- Crewe Town Centre Regeneration Delivery Framework for Growth
  - Strategic Acquisition – Crewe

#### 2.0 Recommendations

- 2.1 Cabinet is recommended to:
- a) Note the progress to date on the feasibility study and emerging options;
  - b) Authorise officers to widen the scope of the feasibility study to consider the potential to retain the operation of the bus station at the existing site for a short period from 1 May 2016;

- c) Authorise officers to widen the scope of the site option appraisal in light of the potential acquisition of the 'Royal Arcade' site to establish whether additional options for a new bus interchange facility exist;
- d) Authorise officers to undertake stakeholder engagement and public consultation co-ordinated with the planned consultation on the Town Centre Regeneration Delivery Framework.

### **3.0 Reasons for Recommendations**

- 3.1 The current bus station provides 1.6 million passenger movements annually. Over half (54%) of users are aged 60+ and 10% are people with a disability who rely on bus access to the town centre. The bus station plays a vital role in providing residents with access to key services, such as education, employment and shopping facilities, as well as supporting the local economy.
- 3.2 Enabling and encouraging the use of local bus services supports wider economic and environmental objectives in reducing congestion and supports sustainable travel to reduce carbon emissions.
- 3.3 The provision of a bus interchange facility in Crewe supports all of the Council's corporate objectives in putting residents first and achieving positive outcomes for the community in Cheshire East, specifically:
  - Outcome 1 – Our local communities are strong and supportive
  - Outcome 2 – Cheshire East has a strong and resilient economy
  - Outcome 3 – People have the life skills and education they need to thrive
  - Outcome 4 – Cheshire East is a green and sustainable place
  - Outcome 5 – People live well and for longer.
- 3.4 By widening the scope of the feasibility study, there is an opportunity to consider and assess other options to identify the best solution for a bus interchange facility in consultation with the local community. The consultation will be co-ordinated with a period of engagement on the wider regeneration delivery framework for Crewe.

### **4.0 Wards Affected**

- 4.1 All Crewe Wards.

### **5.0 Local Ward Members**

- 5.1 All Crewe Ward Members.

### **6.0 Policy Implications**

- 6.1 The bus interchange project is fully aligned with the Crewe Regeneration Delivery Framework for Growth, which sets out a clear route map to support the economic prosperity of Crewe town centre. The project also takes account of the proposed strategic acquisition of the 'Royal Arcade' site and is aligned with the proposals in the separate Cabinet report.

- 6.2 The proposals to provide a bus interchange replacement facility are in line with the strategic priorities of the Council's Local Transport Plan (LTP) to "create conditions for business growth" and "ensure a sustainable future". The LTP includes priority policies relating to public transport integration and facilities (Policy S3) and public transport service levels and reliability (Policy S4).
- 6.3 The project is also aligned with the policies in the Local Plan Strategy Submission Version, including Policy CO1 to improve public transport integration, facilities, services levels and access for all users, including bus infrastructure where Crewe Bus Station is listed as an improvement scheme.

## **7.0 Implications for Rural Communities**

- 7.1 A bus interchange facility will enable residents in rural communities to travel into the town centre and potentially interchange for onward travel.

## **8.0 Financial Implications**

- 8.1 The Crewe bus interchange facility is a named scheme within the 2015-18 Capital Programme approved by Council on 26 February 2015, profiled as follows:

<b>Approved Capital Budget</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>Total</b>
Crewe Bus Interchange Facility	200	2,750	0	2,950

- 8.2 The scheme is expected to be funded from the Council's own resources, and therefore can only be spent once such funding has been specifically identified and earmarked (for example from a capital receipt or prudential borrowing).
- 8.3 Feasibility costs may have to be applied to the revenue budget if a scheme does not proceed, referred to as abortive costs, and funding would then need to be provided by the service or allocated to the Capital Financing Budget. However, due to the strategic importance of this scheme, this risk is unlikely to materialise. To date spending has been funded from the Local Transport Plan allocation, and is in the region of £50,000.
- 8.4 A business case will be submitted to the Technical Enabler Group and Executive Monitoring Board (Gate 1) in due course, detailing the outcome of the feasibility study and site option appraisal. Following the selection of the preferred option, a detailed business case will be prepared for Technical Enabler Group and Executive Monitoring Board (Gate 2) prior to submission to Cabinet for approval.
- 8.5 Depending on the option chosen, there may be wider financial implications which will need to be considered as part of the process. For example, if it is decided to progress with an off-street solution, there is an opportunity to collect departure charges from local bus operators which could achieve an estimated income of £119,356 per annum (based on the operations at the current bus station).
- 8.6 In addition, as the Delamere Street car park is being considered in the option appraisal process, there is a need to consider the revenue from the car park

which in 2013/14 was £125,481. However, consideration also needs to be given to the potential to offset this loss with a new car park facility within the 'Royal Arcade' site.

- 8.7 The financial implications of any risks associated with this project, as per paragraph 10.3 below, would be considered through quarterly monitoring of expenditure. Reports would be made to Cabinet or Council if appropriate and within the requirements of the Financial Procedure Rules.

## **9.0 Legal Implications**

- 9.1 Consultation with stakeholders and the public should be conducted with adherence to the following;

9.1.1 the consultation must take place at a time when the proposals are still at a formative stage.

9.1.2 the proposer must give sufficient reasons for any proposal to permit intelligent consideration and response.

9.1.3 adequate time must be given for consideration and response.

9.1.4 the result of the consultation must be conscientiously taken into account in finalising the proposals.

## **10.0 Risk Management**

- 10.1 Many local bus users are elderly or young people who rely on bus access to the town centre. Without a bus interchange, passengers would face longer walks to the key parts of the town centre and between bus stops to interchange for onward travel. As a result, passenger numbers are likely to reduce which would impact on the viability of local bus services.

- 10.2 In addition, if a replacement facility is not identified, operators would be forced to stop on street in the town centre, which, if unmanaged, would lead to traffic congestion and gridlock in the town centre and negative impacts on bus service reliability and on other traffic and business. The deterioration in the quality of bus travel would be likely to encourage increased car use.

- 10.3 The optimum solution for a bus interchange facility has not yet been identified and there are no detailed costings. There is a risk that the cost of providing a replacement facility would exceed the Council's corporate capital programme allocation of £2.95m.

## **11.0 Background and Options**

- 11.1 Arriva have managed and operated the current bus station on a long term lease since May 1996. When the 20 year lease expires in May 2016, Arriva have confirmed their intention to cease operating the bus station due to the substantial annual cost associated with the lease and the ongoing maintenance liability. In addition, the existing bus station does not meet the aspirations of the town in terms of quality public transport facilities.

- 11.2 Crewe has the densest commercial bus network in Cheshire East and the Council recognise that local bus services play a vital role in providing residents with access to services and supporting the town centre economy.
- 11.3 A bus interchange facility is required from 1 May 2016 onwards to:
- Enable **residents** to **access** town centre facilities by bus
  - Provide a **safe, accessible, managed environment** for bus use
  - Support the **stability** of the bus network and **viability** of services
  - Enable **interchange** between different bus services
  - Enable the **continuation** of existing bus route corridors
  - Support the town centre **economy** (retail, leisure and cultural offer).
- 11.4 This report is focused on addressing the town's bus infrastructure needs today and in the immediate future. The demand for new public transport facilities is only likely to grow linked to the future transformational growth of the town.
- 11.5 The feasibility study work completed to date has identified and sifted the potential options. The study has been undertaken in 3 stages:
- Stage 1 – Baseline Evidence (passenger profile / operational requirements)
  - Stage 2 – Site Option Appraisal (assessing / ranking the potential options)
  - Stage 3 – Preliminary Design (identification of recommended solutions)

#### Stage 1 – Baseline Evidence

- 11.6 A survey of existing passengers was undertaken in June 2014 and a total of 777 interviews were completed. The survey found that:
- 54% of users are aged 60 or over
  - 10% confirmed themselves as disabled
  - Over 50% were shopping and a further 16% were undertaking social / recreational trips
  - A relatively low proportion of passengers (8%) were commuting
  - Many bus users rely on bus access to the town centre and loss of this facility would impact on residents using both the town and inter-urban services.
- 11.7 The replacement facility needs to provide a safe, accessible managed environment for the following operational requirements:
- 529 bus departures per day
  - 49 bus departures per hour between 10.00 and 12.00
  - 1.6 million passenger movements annually
  - 11 stands to service all departures using Fixed Stand Allocation (FSA)
  - 9 bus route corridors into the existing bus station
  - 40% of daily departures use the southbound corridors (i.e. Edleston Road and Oak Street – Mill Street)
  - 40:60 ratio of Terminating to Through buses

- 15% of passengers interchange between different bus services
- Driver welfare facilities and capacity for layover
- Passenger waiting and interchange facilities.

### Stage 2 – Site Option Appraisal Framework

11.8 The framework consists of a series of criteria in the categories listed below.

- Size and Location and Passenger Implications
- Safety and Security
- Accessibility and Operability
- Integration
- Strategic Implications
- Practicality and Public Acceptability
- Stakeholder Impacts
- Risks, Timescale and Costs.

11.9 The site option appraisal has identified two shortlisted options which scored highly in the appraisal framework:

- Delamere Street / Chester Street: provision of 11 on-street stands
- Delamere Street car park: provision of an off-street facility with 11 stands

11.10 The key reasons for shortlisting these sites include:

- Optimum location to serve the bus route corridors and secure the stability of the town centre network (both commercial and supported services)
- Proximity to the shopping areas of the town centre – addressing bus operators core business and supporting the retail economy
- Minimises walking distance for users and enables interchange
- Sites are within CEC landownership and are deliverable within the timescale.

### Stage 3 – Preliminary Design

11.11 The stage 3 study has identified a “do-minimum” option by estimating, in conjunction with the local bus operators, what would happen if the bus station were to close without any intervention from the Council. Once the site option appraisal is complete, all the shortlisted options will then be compared to the “do-minimum” scenario to carry out the Benefit Cost Ratio (BCR) analysis and develop a detailed business case.

11.12 In light of the proposed strategic acquisition of the ‘Royal Arcade’ site (including the current bus station), there is an opportunity to widen the scope of the feasibility study. The implications of the acquisition could be both short term and long term:

- Short term – There is an opportunity to continue the operation of the existing site as a bus station beyond 1 May 2016 for a short period (e.g. 6-12 months). This would allow time to consider the best solution for a bus interchange facility in light of the acquisition and the proposed redevelopment of the site and in consultation with the local community.

- Long term – There may be an opportunity to consider the retention of a proportion of the existing site for a bus interchange facility, which would need assessing through the site option appraisal framework. Alternatively, there may be an opportunity to provide car parking facilities which would offset the loss of the spaces associated with the Delamere Street car park off-street solution.

11.13 Following the site option appraisal and public consultation, the preliminary design work will be undertaken to further assess the value for money and deliverability of each option with consideration of the cost, time and quality factors, as well as the key risks associated with each option. The outcomes will follow the Council's programme management control process and be reported back to Cabinet for approval of a preferred option.

## **12.0 Access to Information**

12.1 The background papers relating to this report can be inspected by contacting the report writers:

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