

# CARDIFF CAPITAL REGION JOINT CABINET

## JOINT CABINET MEETING 15 JANUARY 2018

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### METRO CENTRAL PROJECT

### REPORT OF COUNCILLOR HUW THOMAS

### AGENDA ITEM: 8

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***Appendices 1, 2 and 3 of this report are exempt from publication because they contain information of the kind described in paragraphs 14 (information realign to the financial or business affairs of any particular person) and 21 (public interest test) of parts 4 and 5 of Schedule 12A to the Local Government Act 1972. In all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.***

#### Reason for this Report

1. To agree in principle to allocate £40m from the City Deal Investment Fund towards the Metro Central project to assist with securing match-funding from UK Government, Welsh Government and the private sector and ultimately to assist with delivery of the project.

#### Introduction

2. The Metro Central project will deliver a new Central Transport Interchange at the heart of Cardiff's city centre Core Employment Zone. The project encompasses a new Central bus station, the modernisation of Cardiff Central train station, and delivery of a range of other transport infrastructure such as a new coach station, a cycle hub and public realm improvements. The aim is to improve the capacity of the Central Interchange to accommodate increased frequency of services delivered through the South Wales Metro investment and to provide an infrastructure platform to for jobs growth through accelerating investment in Cardiff's Core Employment Zone.
3. The scope of the project requires delivery in phases. Phase one, the delivery of a new Cardiff Central Bus Station and associated public realm improvements is already underway through partnership between Cardiff Council, Welsh Government and the private sector. This report relates to delivery of the second phase of the project which includes the modernisation of Cardiff Central Train Station and associated transport facilities as outlined later in this report.

4. In addition to the improved transport facilities, investment in Metro Central will also contribute significantly towards leveraging circa 5 million ft<sup>2</sup> of commercial development with the potential to create more than 30,000 jobs over the next 10 – 15 years. It is also expected to leverage in excess of £2bn of additional private investment and create an additional £1bn of GVA. Given the location of the development, as well as recent employment trends, the majority of the jobs created within the Core Employment Zone would be taken up by residents across the city-region.

## Background

5. The Cardiff Capital Region City Deal Heads of Terms signed in March 2016 outlines the joint commitments made by the ten local authorities of the Cardiff Capital Region, the UK Government and the Welsh Government to unlock £1.2 billion of investment to increase the performance of the city-region economy. The City Deal commits to delivering up to 25,000 new jobs and leverage an additional £4 billion of private sector investment. The City Deal is also seeking to increase GVA by a minimum of 5% across the region.
6. The core proposition of the City Deal is to support investment in projects that stimulate economic growth. Fundamental to this is the development of the South Wales Metro, of which £734m of the £1.2bn City Deal funding has been allocated.
7. Over recent years job growth in Cardiff has outstripped all of the other UK Core Cities. Harnessing Cardiff's growth potential and ensuring the benefits are shared right across the city region represents a major opportunity to deliver against the key City Deal targets. The City Deal commitment to the South Wales Metro will increase the quality and frequency of rail services across the region improving access to jobs. Metro Central, as the main interchange of the South Wales Metro, in the heart of Cardiff's Core Employment Zone, needs to have the capacity to exploit the projected and potential growth in passenger numbers.
8. The City Deal is subject to five year 'Gateway Reviews' by UK Government. The Gateway Reviews evaluate the impact of the City Deal funding not pre-allocated to the South East Wales Metro programme. It is therefore essential that investment decisions contribute towards the agreed economic objectives in order to release UK Government element of the City Deal Investment Fund.

## Employment Growth

9. Cardiff is expected to grow faster than any other UK Core City over the next 20 years in terms of population according to Welsh Government and National Statistics projections. With population growth of over 20% between 2017 and 2037, not only will economic opportunities be created as a result of an expanding market, but it will also require job creation to support a growing population. Subsequently, the Cardiff Local Development Plan has identified a need to create 40,000 new jobs over the course of the Plan period.

10. The latest Annual Population Survey Workplace Analysis highlights that over the latest two years of data there are an extra 15,000 people working in Cardiff. Of the jobs created in Cardiff, there is a concentration in the city centre 'Core Employment Zone', which accounts for 80,000 jobs, 85% of which are in the private sector.
11. The expansion of Cardiff's Core Employment Zone in the area surrounding Cardiff Central Station and south of the main railway line towards Cardiff Bay will provide the greatest opportunity for jobs growth in the Cardiff city region over the next two decades. The pace at which this growth is delivered will depend on the availability of key infrastructure to attract commercial development and new employers to the area and to facilitate existing employers to grow.
12. A concentration of commercial activity within the city-centre is also predicated on delivering agglomeration effects for the city-region, as well as providing an accessible and marketable location that can have the biggest impact in terms of jobs growth, jobs reach and productivity. Such an approach is in line with the recommendations of the Growth and Competitiveness Commission report which included the following recommendations:
  - Spatial development perspective should act as a future growth map for the Capital Region and define the key roles of potential of Cardiff and Newport as established hubs of business, commerce and institutions, each playing to their particular strengths.
  - The Cardiff Capital Region should build upon the opportunities emerging from the development of the Metro to improve the quality of places to live, work and visit. This should take the form of detailed planning of station and terminus areas and consider the scope to use better connectivity to create better places, which provide services and amenities to citizens and are able to support renewal and tourism.
13. Historically, the expansion of Cardiff city centre has been constrained by the main east-west railway line. In recent years, significant progress has been made to assemble a series of regeneration projects, through public private partnership and concerted land assembly initiatives that have the potential to penetrate the main railway line and mobilise the expansion of Cardiff city centre towards Cardiff Bay. It is estimated that the overall regeneration potential of these key regeneration projects has the capacity to deliver circa 5 million ft<sup>2</sup> of commercial development, comprising:
  - Central Square (1 m ft<sup>2</sup>)
  - Central Quay (1m ft<sup>2</sup>)
  - Dumballs Road (1m ft<sup>2</sup>)
  - Callaghan Square (1m ft<sup>2</sup>)
  - Capital Quarter (500k ft<sup>2</sup>)
  - St Davids Square (500k ft<sup>2</sup>)

14. In total, this amount of commercial development space has the potential to convert into more than 30,000 jobs over the next 10 – 15 years, leveraging in excess of £2bn of Gross Development Value, and over £1bn of GVA.

### Regional Impact

15. Around 40% of the jobs in Cardiff are taken up by in-commuters. In 2016, this amounted to 89,600 residents commuting into the city each day from outside of the local authority boundary, with 27,800 travelling in the opposite direction to work across the city region. Typically the jobs in Cardiff are based in or around the city-centre. Currently the majority of in-commuting is done by car, which has a significant impact on the road network of the entire city-region.
16. Data from the 2011 Census shows that 76% of people that travel to work in the city centre by train reside outside the Cardiff local authority boundary. Demand for rail travel is also increasing across the Cardiff Capital Region. Data from Stats Wales shows that between 2007/8 and 2015/16 rail passenger journeys in Blaenau Gwent increased by 550% as a result of the opening of the new rail route (2007/8 being the first year of use), whilst in Merthyr Tydfil rail use has increased by 99%, and in Torfaen by 53%. In total for the Cardiff Capital Region rail use has increased by 29% over the period.
17. The table below taken from Network Rail's 2016 Wales Route Study predicts that growth in commuting into Cardiff is expected to continue across the city-region over forthcoming decades. It highlights that by 2043 the number of people commuting into Cardiff is expected to more than double. Continuation of this rate of expansion however would be constrained, in part, by capacity to accommodate passenger growth at Cardiff Central Station.

#### Passenger demand growth for commuting into Cardiff

Corridor into Cardiff	Estimated growth*	
	2023	2043
Valley Lines	76%	153%
Vale of Glamorgan	80%	159%
Ebbw Vale Line	112%	205%
Swansea	56%	124%
GWML	46%	120%
The Marches	38%	96%
Total for all corridors	68%	144%

\* based on the Prospering in Global Stability scenario (PGS)

Source: Network Rail

18. The growth in regional commuting into Cardiff has placed a significant and growing strain on the regional road network, with many commuters suffering increasing congestion during peak hours. This in effect impacts upon the accessibility of jobs in Cardiff city-centre for the wider region. Welsh Government commuting data outlines that between 2014 and 2016 the total number of people working in Cardiff grew by over 15,000. Of this figure, 85% was as a result of an increase in net-in commuting into Cardiff

from surrounding areas. If these trends are continue unabated, it is essential that the full potential of the rail network is realised.

19. The South Wales Metro project aims to deliver increased quality, frequency and speed of services across the region. In order to ensure this infrastructure supports job growth, it is also essential that the capacity at Cardiff Central and Cardiff Queen Street station is able to cope with the planned growth in passenger numbers.

### Cardiff Jobs and Employment Growth

	Total number of working residents	Total number of people working in the authority	Net in-commuting
2014	164,900	213,300	48,400
2016	167,300	229,100	61,800
Change	+2,400	+15,800	+13,400

Source: Stats Wales

20. It is also important to note that the impact of Cardiff Central extends beyond simple commuting data. Business use, for example, will support the expansion of business markets and business to business links. Service sector business activity is increasingly reliant on accessibility by public transport. Improving connectivity through Metro Central can therefore raise levels of enterprise across the entire city-region.
21. It should also be noted that the future success of the Metro will be dependent on fit-for-purpose Cardiff Central and Cardiff Queen Street stations. Future restrictions of capacity at these stations would not only impact use at these specific stations, but also impact on the efficiency and effectiveness of the Metro network.
22. As the sole interchange between the Core Valley Lines and the Great Western Mainline, Metro Central is also the key link in terms of rail accessibility for the Cardiff Capital Region with the rest of the UK. The ability to link business travellers from major UK cities with the wider city-region is dependent on a fit for purpose Cardiff Central. Investment in Cardiff Central Station, therefore, will help to maximise the impact of the Great Western Mainline electrification on the Cardiff Capital Region.

### Key Components of the Metro Central Project

23. The proposed Metro Central project aims to deliver a modern multi-modal integrated transport hub (Central Transport Interchange) under one roof at the heart of Cardiff's Core Employment Zone. The project involves a range of transport related interventions with the two main components comprising of a new Cardiff Central bus station and the modernisation of Cardiff Central train station. The additional improvements include:
  - A new Cardiff Central coach station located south of the railway lines providing 24 hour access and dedicated facilities for inter-city and regional coach services.

- A new park & ride multi-storey car park south of the railway lines to replace the existing rail related parking surrounding Cardiff Central train station and to improve the provision of pick-up and drop-off facilities, and disabled parking, under a covered roof.
- A new taxi rank alongside the multi-storey car park to the south of the station providing adequate waiting capacity for taxis and covered waiting areas for passengers. New taxi drop off facilities north of the railways lines will also be provided.
- A new cycle hub accommodating up to 1000 cycle parking bay and related facilities to the south of the station in close proximity to the main station concourse. This is in addition to the proposed new cycle hub that will be provided as part of the Central Bus station project.
- New cycle routes north and south of the station to improve access to the station.
- Provision for a new Metro (tram) terminal south of the railway station, adjacent to the main southern concourse, to enable easy, covered transition between bus and tram and train and tram.
- Improvements to public realm north and south of the station and between Metro Central and Queen St station to improve access to the Interchange and to encourage walking.

#### Phase One: Delivery of Cardiff Central Bus Station

24. The first phase of Metro Central, Cardiff Central bus station, is already underway, as a result of Cardiff Council securing land and undertaking significant pre-development and design works. This has also included an investment of circa £10m towards public realm improvements that are currently being implemented in the Central Square area, north of Cardiff Central train station.
25. The Council is currently finalising a financial agreement with its commercial development partner Rightacres Property Ltd and Welsh Government that will enable construction of the bus station building to commence early in 2018. This agreement involves the creation of a Special Purpose Vehicle (SPV) known as Metro Delivery Partnership (MDP) involving Cardiff Council, Rightacres Property Ltd and Welsh Government as shareholders. It will also enable Transport for Wales to become the operator of the new bus station once constructed.

#### Phase Two: Modernisation of Cardiff Central Train Station

26. Cardiff Central is now recognised by Network Rail as a 'Category A' station, which means it is one of the primary stations in the UK. In most cases, Category A stations are directly managed and operated by Network Rail and in recent years have received significant investment from UK Government via Network Rail. Whilst Cardiff Central is considered a Category A station, based on its patronage, it is not directly managed by

Network Rail, however, it is primed for investment. UK Government has signalled a commitment to invest in the station, subject to a significant local and private sector contribution.

27. Cardiff Central is of critical importance to the regional transport network. It is the only interchange station between the Core Valley Lines (CVL) and the UK inter-city mainline. The station current handles around 13 million entries and exits per year, almost six times as much as Cardiff Queen Street which is the second most used railway station in Wales. Recent growth in passenger use has led to the station regularly operating at capacity, or close to capacity. During major event days capacity is regularly exceeded, requiring restrictions to enable the station to operate safely.
28. Passenger numbers are predicted to continue to grow into the next decade and beyond. By 2023 growth is expected to reach 22 million entries and exits, rising to 32 million by 2043. It is predicted that the station will exceed capacity on a daily basis by the mid-2020s, resulting in restrictions becoming a much more regular feature. This will effectively restrict growth of the Metro network and hold back the economic potential of the Cardiff Capital Region. In simple terms, an increase to the capacity of the station for trains and passengers is required to support the future growth and sustainability of the Core Valley Lines, and to ensure full realisation of the potential for economic growth across the region.

### **Central Station Feasibility Study**

29. Network Rail has recently presented ambitious concept plans for the comprehensive modernisation of Cardiff Central to the Department for Transport, which were rejected due to costs. The proposed Metro Central project therefore aims to deliver a more practical and affordable solution to the capacity issues at the station which at the same time will significantly improve the passenger experience. To that end, the current funding partners in the MDP have recently commissioned ARUP to undertake a Feasibility Study to identify a series of interventions that will improve the train station, increasing capacity for trains and passenger and making it fit for purpose for the foreseeable future. The report is attached as Confidential Appendix 1. The main interventions are summarised as follows:

#### Platform Access

30. The key issue in terms of the effective long term operation of Cardiff Central train station relates to the capacity constraint of the existing western tunnel which is projected to become a significant health and safety issue by the mid-2020s. Congestion already occurs at peak times and based on the projected growth in passenger numbers will soon require daily restrictions to ensure passenger safety.
31. The key proposal is to increase capacity by making better use of both the eastern and western tunnels for platform access, and to extend the ticket lines at both ends of both tunnels. This requires new staircases to be

provided in the eastern tunnel which can be accommodated by replacing the large existing goods lifts with smaller passenger lifts. In addition, it is proposed to reduce pressure on the western tunnel by providing direct access to platforms 1 & 2 from the main northern concourse (avoiding the tunnel) by remodelling the current use of space in the northern concourse and by rotating the existing staircases that access platforms 1 & 2. Confidential Appendix 1 provides details of the proposed interventions and the anticipated capacity enhancements that would result.

### Platform Improvements

32. In addition to improving the access to platforms, there is also a need to provide greater capacity for passengers on the platforms. This includes providing more space for passengers on platforms and encouraging passengers to make full use of the whole length of existing platforms. The platforms are currently cluttered with a range of structures, some of which are listed and will need to be retained. At present some of these structures are used for storage and other operational purposes that are not required to be in this location.
33. The proposal is to de-clutter the existing platforms and to provide improved facilities for passengers in the buildings that need to be retained. This includes simple proposals like the provision of waiting rooms and male and female toilets together at both ends of the platforms to encourage full use of the platform length and to avoid the current congestion that occurs around the platform access stairwells.

### Concourse Improvements

34. It is proposed to deliver new concourse buildings with the full range of modern passenger facilities at both the northern and southern entrances to the station. This will enable the ticket lines to be extended at both ends of the tunnels and has the potential to provide new waiting areas with direct access to the busiest platforms. The new concourses will be delivered in phases and will be supplemented by commercial development above. The initial proposal is to extend the relatively new concourse provision at the southern entrance to encapsulate the eastern tunnel (as well as the western tunnel) enabling the southern concourse to be utilised as the primary access point to the station whilst works to upgrade the northern concourse are undertaken. The new northern concourse will retain the existing listed structure and will seek to provide seamless integration into the new bus station. As a second phase, a new southern concourse will supersede the existing southern concourse, delivered as part of the emerging proposals for Central Quay. As part of this, the intention is to make provision for the integration of any future on-street light rail system currently being considered as an option for the proposed public transport connectivity improvements between the city centre and Cardiff Bay.



### Platform Extension

35. In addition to passenger capacity, the station also needs to expand its capacity to accommodate the projected increase in train frequency resulting from the growth in demand for rail travel and the increased frequency of services proposed through the South Wales Metro project.
36. The key proposal is to extend the length of platform 0 to enable the platform to accommodate the full range of rail services including UK mainline inter-city services. At present platform 0 is restricted in length and is only able to accommodate two-carriage local services. Various proposals for expanding the platform have been considered and the only proposal considered viable is to extend the platform eastwards. However, this proposal is constrained by the location of the listed northern concourse building. Various innovative solutions are currently being considered that will retain the full integrity of the listed structure whilst delivering an extended platform, including potentially shifting the building northwards.

### North-South Links

37. The expansion of Cardiff city centre southwards towards Cardiff Bay has historically been constrained by the main east-west railway line. Penetration through Central train station itself has been constrained by the lack of an unrestricted (non-ticketed) north-south route for pedestrians / cyclists, forcing access through poor quality underpasses prioritised for vehicles.
38. The Metro Central concept proposes a range of transport facilities either side of the main railway line and relies on pedestrians and cyclists being able to easily penetrate the area from north to south and vice versa. As outlined above, passenger capacity constraints require both existing tunnels under the station to be fully utilised for ticketed passenger access only and therefore alternative solutions to improve pedestrian and cycle penetration need to be identified. A number of solutions have been proposed including: the possibility of excavating a new tunnel through the station providing direct pedestrian / cycle access between the bus station to the north and the proposed new coach station to the south; improvement of the existing vehicle underpasses to provide pedestrian / cycle priority; and the potential for creating a new eastern entrance to the station that would essentially internalise the existing Penarth Road underpass.

### Weather Protection

39. One of the main differences between Cardiff Central and the other Category A stations across the UK is its lack of weather protection for passengers on platforms. The passenger experience will be improved through the provision of new waiting areas in the proposed new concourses to be built at the northern and southern entrances. However, it is essential that passengers are encouraged to access platforms in good time to avoid surges as train services arrive into the station. The provision

of weather protection over the platforms, in addition to improvements to the facilities for passengers available on platforms, will help to encourage the optimum use of the available capacity within the station.

### Queen Street Station

40. Whilst Cardiff Central is the busiest station in Wales and the biggest priority in terms of the need for capacity improvements, Cardiff Queen Street Station is the second busiest station and also in need of investment. Queen Street provides important access to the Core Employment Zone from the east of the city centre and has particular patronage from passengers utilising the Core Valleys Lines. Improving capacity and encouraging greater use of Queen Street will relieve pressure on Central Station. In addition, and similar to Cardiff Central, Queen Street station requires improvements to avoid impending health and safety restrictions having to be implemented. In particular, this will require the provision of improved weather protection above the platforms for passenger comfort and to mitigate the current problems caused by rainwater penetrating the stairwells and the existing under-platform tunnel causing health and safety concerns. It is also proposed to extend the existing platforms and to improve the facilities available on platforms as well as exploring the potential for a new Newport Road access to the station from the east.
41. All of the above proposed interventions are outlined in the ARUP Feasibility Study attached as Confidential Appendix 1. Indicative costs for each intervention are provided in the Strategic Outline Case attached at Confidential Appendix 2.

### **Funding Approach**

42. It is proposed to establish a new Special Purpose Vehicle (SPV) known as the Metro Delivery Partnership (MDP) as a dedicated delivery vehicle for the Metro Central project. The first phase of the project will focus on delivery of the new Cardiff Central bus station. The partners in the initial joint venture agreement will be Cardiff Council, the Council's development partner Rightacres Property Ltd and Welsh Government, with shareholdings reflecting investments being made by the three parties. The SPV will enable commencement of the bus station development early in 2018.
43. The second phase of the Metro Central project is a more complex proposition that will need to involve a broader range of partners. It is clear that the scale of improvements required to modernise Cardiff Central Station and to make it safe and fit for purpose will require a significant contribution from Welsh Government and the UK Government in addition to contributions from the Cardiff Capital Region City Deal and the private sector. Unlocking rail related investment from UK Government requires a series of submissions to be made through the formal and detailed Governance for Railway Investment Project (GRIP) process. Similarly, any Welsh Government contributions will require submissions through the Welsh Transport Planning and Appraisal Guidance (WelTAG) process. The initial stage for both of these processes (the Strategic Outline Case)

has been jointly commissioned by Cardiff Council, Welsh Government and Rightacres Property Ltd attached as Confidential Appendix 2.

44. There is scope for the phase one SPV to be extended to deliver the second phase Metro Central proposals including delivery of the train station improvements and the associated transport proposals, outlined in this report. A different shareholding arrangement would need to be established to reflect the proposed investments to be made by each partner and there may be certain aspects of the overall scheme that will need to be delivered outside of the SPV agreement.

## Issues

45. Based on the recent feasibility work it is estimated that the total cost of the proposals will be in the region of £160m - £180m, subject to further detailed assessment. It is proposed that the funding package will comprise a £40m contribution from City Deal with the remaining funding being sought from Welsh Government, UK Government and the private sector. Details on the proposed funding package are attached as Confidential Appendix 3.
46. The timing of the Metro Central investment is critical to ensure the infrastructure is delivered at the same time as construction works in the surrounding area to minimise disruption, and to align with the South Wales Metro investment. The regeneration opportunities surrounding the station are primed for delivery but require commitments in regard to transport infrastructure to build the necessary confidence in the private sector to encourage them to accelerate their investment. A commitment to invest in Metro Central will help to secure the 30,000 additional jobs, £2bn of investment and £1bn of additional GVA.
47. It is however acknowledged that the current proposals for Metro Central are at an early stage in their development. Confidential Appendix 2 sets out the Strategic Outline Case for investment. Welsh Government has already commissioned the further development of the business case to the Outline Business Case stage. The pathway to a Full Business Case addressing all of the WeITAG and GRIP processes will be an intensive process, and is expected to take a minimum of 18 months to complete. This process will be undertaken in partnership with Welsh Government, UK Government / Network Rail and the private sector. It may be necessary for City Deal to make a resource commitment towards the cost of fulfilling the business case process. Any allocation and would be subject to a further report to Cabinet to seek specific authority.
48. The Metro Central proposal was considered by the Cardiff Capital Region Programme Board on 21st December 2017. The Board welcomed the proposals and acknowledged the importance of Cardiff Central to the whole region and agreed to recommend to Regional Cabinet the in-principle allocation of £40m to secure match funding subject to full and proper consideration of the proposal in due course, including consideration by the appropriate City Deal advisory bodies and sub-committees and the necessary due diligence.

49. The Cardiff Capital Region Transport Authority will be considering the Metro Central proposal in its current form at their next meeting scheduled for 25<sup>th</sup> January.

### **Future Generations and Wellbeing Considerations**

50. In simple terms, supporting people into employment will have a positive impact on a range of sustainability considerations, ranging from the health benefits of being in employment, to reduced pressure on public services that arises from individuals moving from being inactive or unemployed into employment. The creation of 30,000 jobs will respond to the need to provide more jobs across the Cardiff Capital Region. The location of the project however, at the focal point of the regional transport network, is also critical in terms of its ability to ensure that the benefits of the investment are shared across the entire city-region.
51. The project also seeks to increase levels of commuting by sustainable travel. Currently the majority of commuting in the Cardiff Capital Region is undertaken by car. Investment in the Metro is essential in seeking to move commuting from car to public transport and active travel means. However, pressure points such as Cardiff Central, which is expected to reach capacity at peak commuting times in the next decade, will act as a barrier to improvements in sustainable travel unless addressed. Reducing congestion will also have a positive impact on issues such as air quality and other environmental concerns.

### **Reason for the Report**

52. To agree in principle to allocate City Deal Investment Funding towards the delivery of the Metro Central project subject to the approval of a final business case that complies with the Governance for Railway Investment Project and Welsh Transport Planning and Appraisal Guidance processes and commitment from funding partners to match fund delivery.

### **Financial Implications**

53. At this stage, a clear need for investment has been identified and key stakeholders including Welsh Government, Network Rail, Cardiff Council and Rightacres have come together to engage in feasibility works for the redevelopment of Central Station. UK Government have also made a commitment to invest in Central Station in their recent autumn budget statement so support exists for the proposed redevelopment.
54. Initial feasibility works have been commissioned to develop proposals for the redevelopment of Cardiff Central and this will form part of the externally commissioned Strategic Outline Case for investment in Central Station. Whilst this shows the high level benefits for investment, it is clear that further due diligence work will be required and this will need to be incorporated into the Full Business Case (FBC).
55. The report requests that City Deal allocate investment funding of £40m for the actual Metro Central project in addition to an unspecified amount of

funding for the development of the FBC. Funding is currently available from the Programme Development and Support budgets within the Wider Investment Fund in both 2017/18 to support the development of the FBC if required, although any funding would be subject to relevant approvals for a suitable budget to be established.

56. At present, an in principle decision for funding is being requested, but before a firmer commitment to funding can be given it is important to understand the spend profiles of when funding will be required, as well the split between revenue and capital funding being requested.

## Legal Implications

57. From the body of the report it can be seen that the decision sought, in principle to allocate £40m from the City Deal Investment Fund to support the Metro Central Project, is of significant magnitude. As with any decision, Members will need to be satisfied that they have before them all material information and have had appropriate time to consider matters and raise any queries they may have, so that a reasonable and informed decision may be made.

As regards this point it is noted that:-

- (i) the body of the report acknowledges that the current proposals for Metro Central are at an early stage in their development and considerable work and due diligence is required to develop the Full Business Case, and
- (ii) accordingly, the in principle decision sought is subject, amongst other matters, to approval of the Full Business case by the Cardiff Capital Region Joint Cabinet.

As the Metro Central proposal develops, detailed legal advice will be required, (along with all other relevant professional advice) and set out in the Full Business Case, to ensure that the proposals as developed meet (i) all legal requirements and (ii) HMT and Welsh Government funding conditions.

58. In considering this matter regard must be had to the provisions of the Joint Working Agreement concluded by the ten participating authorities in relation to the delivery of the Cardiff Capital Region City Deal ('the JWA'). Of particular relevance is the provision in the JWA that was intended, in effect, to limit the project investment decision that the Regional Cabinet could commit to pending approval of the JWA Business Plan. Put simply, the effect of the JWA is that the Regional Cabinet are only authorised to commit up to £50 000 000 of the HMT contribution ('the initial project investments') prior to approval of the Joint Working Agreement Business Plan. Legal Services are instructed that the investment commitment sought in respect of the Metro Central Project, is not sought as an 'initial project investment' commitment out of the fifty million HMT Contribution, but rather as an in principle commitment out of the Cardiff Capital Region Wider Investment Fund, should the JWA Business plan be approved. For this reason it is understood that the in principle decision sought is subject,

amongst other matters, to the approval by each of the 10 participating Councils of the JWA Business plan (referred to in the recommendations to this report as 'discharge of the JWA Business plan reserved matter').

59. As part of the Full Business case it will be important to understand the spend profiles of when funding will be required and to ensure that matters are such that approval of the Metro Central project will, amongst other matters, keep the totality of City Deal spend within the Affordability Envelope (that is the overall costs and investment agreed by each Council), as defined in the JWA).
60. The body of the report highlights that resource will be required to develop the project proposals and carry out all due diligence work that will be required. These sums are at present not quantified but provision will be required to be made in the relevant Cardiff Capital Region Joint Cabinet Annual Business Plan and corresponding Annual Budgets before any such expenditure may be incurred.

## RECOMMENDATIONS

The Cardiff Capital Region Cabinet is recommended to agree in principle to allocate £40m of City Deal Investment Fund capital towards delivery of the Metro Central project as outlined in this report, subject to:

- i. Discharge of the JWA Business Plan reserved matter.
- ii. Formal approval of the Full Business Case by the City Deal Regional Cabinet in accordance with the City Deal Investment Fund Assurance Framework and full consideration by the appropriate advisory bodies and sub-committees;
- iii. Completion of the GRIP and WelTAG processes; and
- iv. Commitment to match-funding from Welsh Government, UK Government and the private sector as outlined in this report.

**Councillor Huw Thomas**  
**Cardiff Council**  
**09<sup>th</sup> January 2018**

*The following Confidential and Public Appendices are attached:-*

Confidential Appendix 1: Metro Central Feasibility Study (ARUP)  
Confidential Appendix 2: Strategic Outline Case (ARUP)  
Confidential Appendix 3: Proposed Financial Contributions from Partners  
Appendix 4: Cardiff Capital Region City Deal, Programme Board  
Candidate Scheme Observation Record

## CARDIFF CAPITAL REGION CITY DEAL PROGRAMME BOARD

### CANDIDATE SCHEME OBSERVATION RECORD AGENDA ITEM:

The Cardiff Capital Region Programme Board met on:

**21<sup>st</sup> December 2017**

Candidate Scheme assessed at that meeting was:

***Metro Central***

#### **Declaration of interest / Involvement<sup>1</sup>:**

It was agreed that that the Candidate Scheme Sponsor for this proposal is Cardiff Council

#### **Observations of the Programme Board**

The Board at its meeting held on 21st December 2017

#### **Criteria for Supporting an Investment**

From the evidence received the proposal has the potential to:

- Significantly improve the regional transport system
- Leverage £2bn of investment
- Support 30,000 jobs
- Increase GVA by £1bn

#### **Business Case Development**

The Board assessed the currently available information, reports and advice procured to support the Metro Central Project matched against the requirements for the completion of a 5 Case Business Model as required by the Assurance Framework.

It should be noted that for an investment proposal of this scale and complexity it is the requirement of the Assurance Framework that the business case should be developed and approved via 3 iterations, strategic outline case, outline business case and full business case.

For this proposal, Programme Board is considering the first stage S.O.C.

<sup>1</sup> If a Programme Board member has either an interest or has had involvement in the development of the proposed Candidate Scheme they must declare and detail this interest or involvement.

<b>Strategic Case</b>	
The rationale, background, policy, context, and strategic fit can be clearly established by reference to:	
The Heads of Terms;	<p>A key priority, which the City Deal Investment Fund will support, is the delivery of the South East Wales Metro. The scheme has the potential to provide a significantly improved public transport system that will transform the way people travel around the region.</p> <p>The remaining element (£495m) of the Investment Fund will be used to take forward a wide range of projects and schemes that support economic growth across the Cardiff Capital Region. Decisions on the prioritisation of these schemes will be taken by the Cardiff Capital Region Cabinet. Schemes taken forward could include: further transport schemes; investment to unlock housing and employment sites; and development of research and innovation facilities.</p>
Joint Working Agreement;	The JWA provides for the City Deal Investment Fund to support the Metro Central Proposal on the basis that it meets the requirements of the Assurance Framework.
Report and Recommendations of the Growth & Competitiveness Commission;	<p>The Growth and Competitiveness Commission report included the following recommendations:</p> <ul style="list-style-type: none"> <li>• Spatial development perspective should act as a future growth map for the Capital Region and define the key roles of potential of Cardiff and Newport as established hubs of business, commerce and institutions, each playing to their particular strengths.</li> <li>• The Cardiff Capital Region should build upon the opportunities emerging from the development of the Metro to improve the quality of places to live, work and visit. This should take the form of detailed planning of station and terminus areas and consider the scope to use better connectivity to create better places, which provide services and amenities to citizens and are able to support renewal and tourism.</li> </ul>
Cardiff University State of the City Region;	<p>The report identifies that:</p> <ul style="list-style-type: none"> <li>• Rail usage has increased in all authorities from 2002/03 and 2012/13, with the largest increase being accounted for by the re-opening of the Ebbw Vale line in 2008. Bridgend also saw a strong rise in rail passenger journeys.</li> </ul>



	<ul style="list-style-type: none"> <li>Despite the increases in rail travel, the dominant mode of transport to work in the city region remains the car with over 70% of residents in half of the authorities choosing to drive to work.</li> <li>The top three busiest stations in Wales are in the Cardiff Capital Region, as well as 15 of the top 20. Cardiff Central is by far the most used station.</li> </ul>
AECOM Baseline Economic Analysis for South East Wales	<p>Metro Central addresses a number of issues raised in the AECOM report, namely:</p> <ul style="list-style-type: none"> <li>Greater regional access to job opportunities</li> <li>Poor regional transport links and to London</li> <li>Lack of critical mass of firms to build ecosystem</li> </ul>
<b>Economic Case</b>	
There are several questions posed when considering if a robust economic case has been proven:	
<p>1. Is there a reasonable range of options explored and assessed resulting in the justified selection of the final proposal, including a do nothing / minimum option?</p> <p>Note: In accordance with the Treasury Green Book there needs to be a minimum of three options</p>	ARUP have undertaken initial work to develop a range of options to take forward. Specifically the report identified that a do nothing approach will severely restrict the future growth of the Metro network and the potential for job creation around the Metro Central area.
2. Has there been a Value for Money assessment of the preferred option?	This will be explored further in the final business case. However initial strategic analysis highlights that leverage of further funding will be significant.
3. Are the economic costs and benefits clearly calculated for each year covered by the proposal?	The proposal is a capital project that will deliver permanent uplift.
4. Are there appropriate sensitivity analyses, including worst case scenario?	As noted, ARUP have undertaken initial work to develop a range of options to take forward with respect to responding to constraints that the current Central Station will bring to the development of the Metro network.
5. Are risks, constraints and dependencies identified and managed?	This has been the focus of much of the ARUP work to date which assesses the key issues relating to Cardiff Central's role at the focal point of the Metro network.
6. Are wider impacts assessed e.g. sustainability, competition, regulatory impact?	Considered as part of the initial ARUP work, but will require some further analysis.

7. Is there a Benefits register; benefits realisation (delivery) plan?	An initial overview has been provided to provide strategic direction that comprises public sector leverage, job creation and GVA impact.
8. Are managing, monitoring and evaluation costs included?	To be developed with the full business case.
<b>Commercial Case</b>	
1. Is the proposal commercially feasible and deliverable?	Yes, subject to further work.
2. Is there a procurement strategy?	This will be taken forward as part of the GRIP and WELTAG process.
3. Have the key contractual issues been identified and managed?	As above, this will be taken forward as part of the GRIP and WELTAG process.
4. Is risk identified, managed and allocated including a risk allocation table?	Risks are identified I the initial work undertaken to date, including delivery and operational risks. However detailed development risks will still need to be established.
<b>Financial Case</b>	
1. Is the Scheme affordable? Is full budget funding secured and budgeted?	Initial discussions have identified UK Government, Welsh Government and private sector support. This includes a commitment made as part of the UK Government's 2017 Budget.
2. What are the impacts on income / expenditure on the overall budget?	The project will support the overall viability of the Metro, leverage in significant private sector investment and provide a large contribution to the City Deal employment targets. In particular it will provide an element of assurance with regard to the Gateway process given the scale of jobs it is likely to be able to leverage.
3. Are potential cost over runs provided for and any potential liabilities?	The project will be designed to provide a set budget to work against.
<b>Management Case</b>	
1. Is the proposal deliverable with delivery plans?	Initial plans have been developed, though further work is required to provide the necessary details.
2. Are there clear delivery dates and detailed milestones?	As above, initial plans have been developed, though further work is required to provide the necessary details.
3. Does the proposal require programme or project management techniques?	It will require the processes required for UK and Welsh Government, as well as Network Rail to be put in place and followed.

4. Is there a contract management plan?	It will require a contract management plan as required by UK and Welsh Government, as well as Network Rail to be put in place and followed.
5. Is there a contingency plan?	This will be finalised for the full business case.
6. Is there a benefits realisation table and plan? Does the plan include monitoring arrangements and post implementation evaluation arrangements?	Initial proposals highlight the economic benefits. Recording mechanisms will be required to capture the benefits.

On the basis of the assessment of the available information the Board concluded that the strategic case for the project is made, and that the Metro Central project should be taken forward to Full Business Case Stage.

### State Aid

To be considered as part of the Full Business Case Stage.

### Risk

To be considered as part of the Full Business Case Stage.

### CONCLUSION

On the basis on the above information and analysis, subject to a positive response to the queries raised the Board's recommendation to the Regional Cabinet is:

**The Metro Central project should be taken forward to Full Business Case Stage, and a budget of £40m is earmarked for the project subject to:**

- **the Full Business Case being met;**
- **the project satisfies the GRIP and Weltag processes being met**
- **funding is secured from Welsh and UK Government**