

Cabinet 6th November, 2014

Report of the Assistant Chief Executive

Electoral Division affected: Preston

Preston Bus Station and Multi Storey Car Park
(Appendices 'A' and 'B' refer)

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Executive Summary

This report outlines a series of proposals which overall will see the regeneration of Preston Bus Station and Multi Storey Car Park, primarily as a public services hub focusing on facilities for young people, bus and coach transportation, pedestrian safety, highway improvements, car parking and the creation of accessible and useable public open space within the heart of Preston City Centre.

The vision is to create a modern and vibrant public service hub within the brutalist architecture style of the original design.

This is deemed to be a Key Decision and the provisions of Standing Order No 25 have been complied with.

Recommendation

Cabinet is recommended :

1. To approve the proposals set out in this report which overall will see the regeneration of Preston Bus Station and Multi Storey Car Park, primarily as a public services hub focusing on facilities for young people, bus and coach transportation, pedestrian safety, highway improvements, car parking and the creation of accessible and useable public open space within the heart of Preston City Centre;
2. To reallocate the County Council contribution of £8.3m to the construction of a new bus station, contained within the approved capital programme, to the refurbishment of the Preston Bus Station and Multi Storey Car Park;
3. To request the Cabinet Member for Children and Young People to review and reprioritise resources already allocated in the Children and Young People's overall capital programme with the view of releasing £2m of funding to support the development of the Preston Youth Zone Plus;

4. To request officers :
 - (1) To work with the Preston Youth Zone partners to develop the scheme for the Preston Youth Zone Plus;
 - (2) To work with the contractors recently selected for the County Council's Construction Framework to refine the estimates set out in this report;
 - (3) To complete the Conservation Management Plan;
 - (4) To prepare a consolidated development proposal for consideration by Cabinet;
 - (5) To prepare and submit an application for listed building consent/planning permission.
 - (6) To review with the Heritage Lottery Fund the potential for Heritage Lottery Funding;

5. To recommend the Preston, South Ribble and Lancashire City Deal Executive and Stewardship Board to endorse the revised proposals for Preston Bus Station and Multi Storey Car Park on the basis set out in the report and to include them within the 2015/18 City Deal Infrastructure Delivery Plan.

Background and Advice

1. Introduction

In September 2013, Preston Bus Station and Multi Storey Car Park was designated as a grade II listed building.

On the 5th December 2013, Cabinet agreed that the County Council should take ownership of Preston Bus Station and Multi Storey Car Park (" Bus Station and MSCP") from Preston City Council on the principal terms set out in the report considered by Cabinet on that date. Cabinet authorised the Leader, in consultation with the then Interim Chief Executive, the County Secretary and Solicitor, and County Treasurer, to agree and conclude the final terms of the transfer, which were completed on the 31st March, 2014.

The report considered by Cabinet on 5th December 2013, explained the significant impact that the Grade II listing designation had on the future direction of the Bus Station and MSCP, in particular the major obstacles this presented in the context of seeking approval to demolish the existing facilities, which was a pre-requisite to the building of a new bus station and car park.

The 5th December 2013 report explained that both national and local policies are clear: total or substantial loss of a designated heritage asset should be refused unless it can be demonstrated that this is necessary to achieve substantial public benefits, or that all of the following apply:

- The nature of the heritage assets prevents all reasonable uses of the site;

- No viable use of the heritage asset itself can be found in the medium term; and
- The harm or loss is outweighed by the benefit of bringing the site back into use.

The report concluded that the designation of the Bus Station and MSCP as a Grade II Listed Building has made the potential option of demolishing the Bus Station and MSCP and building a new bus station and car park extremely challenging.

The Bus Station and MSCP is one of the key gateways to Preston City Centre. A modern refurbished and well maintained facility will be an essential component in enabling the wider regeneration and development of Preston City Centre and will have a pivotal role in supporting the Preston, South Ribble and Lancashire City Deal.

The Preston, South Ribble and Lancashire City Deal agreed with government builds on the strong economic performance of the area over the last ten years and will help to ensure that the City Deal area continues to grow by addressing strategic transport infrastructure and development challenges to deliver new jobs and housing across the City Deal area.

Over a ten-year period the City Deal will generate:

- More than 20,000 net new private sector jobs, including 5,000 in the Lancashire Enterprise Zone;
- Nearly £1 billion growth in Gross Value Added (GVA);
- 17,420 new homes; and
- £2.3 billion in leveraged commercial investment.

This report outlines a series of proposals which overall will see the regeneration of the Bus Station and MSCP primarily as a public services hub focusing on facilities for young people, bus and coach transportation, pedestrian safety, highway improvements, car parking and the creation of accessible and useable public open space within the heart of Preston City Centre.

The vision is to create a modern and vibrant public service hub within the brutalist architectural style of the original design.

2. Preston Youth Zone Plus

Currently, the bus station comprises 80 bus bays running along the whole of the east side and west side of the building. The proposal outlined at Section 3 of this report is to deliver a 36 bay bus station and 4 bay coach park, utilising the whole of the east side of the current facilities only. This will completely remove buses and coaches from the west side of the current facilities. In addition, these revised bus and coach requirements will require approximately 50% less of the internal floor space of the bus station.

Since the transfer of the Bus Station and MSCP to the County Council, work has been ongoing to ascertain how the space situated at a key location within the City Centre space and not now required for public transport facilities, can be utilised.

On 26 July 2011, the former Leader of the County Council and the former Cabinet Member for Young People agreed to allocate £3m of Capital funding to the Preston Youth Zone Plus project together with an area of land on the County Hall site. At that time, the precise location for the new facility had yet to be confirmed.

On the 8th March 2012, the former Leader of the County Council and the former Cabinet Member for Young People agreed that the proposed Preston Youth Zone Plus should be located on the former nursery site at Nutter Road/Ringway.

The site was to be leased to a new company established by the County Council and two Trusts representing the private sector patrons (" PYZ Plus New Co") for a period of 125 years at a peppercorn rent. PYZ Plus New Co will be responsible for running Preston Youth Zone Plus supported by Onside, the charity promoting the development of Youth Zones. Onside has led the development of Youth Zones in Blackburn, Carlisle, Manchester, Oldham and Wigan.

Four potential locations within the County Hall complex had been identified, which are shown on the plan attached at Appendix A. Of the four potential locations, the first and second proposed locations on the Arthur Street Car Park were preferred from a Service perspective as these were considered to be the most convenient in terms of access for the users, who it was anticipated would arrive from the town centre having travelled on public transport. Locations 3 and 4, located at Nutter Road/ Ringway, were the least preferred from a service delivery location point of view for the same reasons. Nevertheless, location 3 at Nutter Road/Ringway was acknowledged as providing the best location in terms of 'prominence and presence' for the new facility, and was accepted by Onside and the Young People's Service as providing a good compromise location.

On 26 July 2011, the former Leader of the County Council and the former Cabinet Member for Young People agreed that the County Council would underwrite the 40% public sector revenue funding required from the public sector partners of the proposed Preston Youth Zone Plus (circa £400k per year). In the event that this was not secured, the shortfall was to be funded by the cash limit for the Directorate for Children and Young People through the identification of additional savings. At that time the shortfall was estimated at £250k per year.

On the 8th March 2012, the former Leader of the County Council and the former Cabinet Member for Young People agreed to the following two further financial commitments on behalf of the County Council:

First, the County Council would underwrite the then current shortfall in capital funding of £0.529m and that this be met from the current forecast underspend on the County Council's 2011/12 revenue budget. This was in addition to the £3m capital commitment. Whilst the majority of the capital funding had been secured there was a shortfall in the funding which had still be fully confirmed; and

Second, in the event that the private sector partners were unable to raise the private sector revenue contribution of £0.5m per annum, this would be underwritten by the County Council. Any shortfall underwritten by the County Council would be met

through the identification of additional savings within the cash limit for the Directorate for Children and Young People.

Taking ownership of the Bus Station and MSCP has provided the opportunity for the County Council, PYZ Plus New Co and Onside to consider this as an alternative location for the Preston Youth Zone Plus. Following lengthy discussions the following have been agreed in principle by the parties:

- *Location*

The Preston Youth Zone Plus will now be located within the North West part of the Bus Station with a new four court sports and multi use games area located on the western apron. In terms of overall floor area, this will be similar in size to the proposed facility for the Nutter Road /Ringway site.

- *Term of the lease*

The lease of the relevant parts of the Bus Station will be for a term of 25 years at a peppercorn rent and not 125 years as agreed for the Nutter Road/Ringway location. A lease for a period of 25 years will be consistent with the extended life of the facilities which will be achieved from the refurbishment works described in section 4 of this report.

PYZ Plus New Co will give a minimum 10 year commitment to operate the Youth Zone Plus, supported by Onside.

- *Revenue Contribution.*

The private sector sponsors of Preston Youth Zone Plus and On Side have recognised that the financial pressures on the County Council have become significantly more challenging since 2011/12 when these issues were discussed in the context of the proposed Nutter Road/Ringway location. A fixed long term revenue commitment of £400k pa, both in terms of its overall quantum and the inability for the County Council to have any means of influencing its reduction in future years, will create major difficulties for the medium to long term financial management of the Council's overall budget .

The County Council will therefore make a reduced revenue contribution of £150k pa. Importantly, the County Council will not now be underwriting the remaining public sector contribution, nor will it be required to underwrite any shortfall in the private sector contribution. The private sector sponsors of Preston Youth Zone Plus will be responsible for these revenue requirements.

- *Capital contribution*

Given the significant additional revenue risks being assumed by the private sector partners, which they will need to manage in part from their private sector donations, the private sector sponsors of Preston Youth Zone Plus have asked that the County Council contribute an additional £2m to the capital costs of the Preston Youth Zone Plus. This additional £2m will increase the County Council's overall capital

commitment to £5m and will be funded from a review and reprioritisation of resources already allocated in the Children and Young People's overall capital programme. The private sector sponsors will contribute £1m to the capital costs, which provides for an overall capital budget of £6m.

Preston Youth Zone Plus can be described as co-locating universal, positive activities for young people with targeted services for those young people seeking specialist support, creating a progressive development of an already tried and tested Youth Zone concept. This 'One Stop Shop' for young people will discreetly offer many of the more sensitive and confidential services that young people might require in one place.

This large-scale multi-activity facility at the Bus Station, will have a wide range of sporting and artistic spaces, including a multi-use 3G outdoor pitch, a four court indoor sports hall, a climbing wall, a dance and performing arts studio, a martial arts/boxing gym, a fully equipped, state-of-the-art fitness suite, a music room, a film and multi-media suite, arts, crafts & fashion areas, an enterprise and employability room together with café facilities and a number of adaptable spaces for general association, recreation in response to young people's changing needs and preferences.

The Youth Zone's activity programme will be led by young people, reflecting what they want from their leisure time.

3. Bus Station

The East side of the building will be refurbished to provide a new 36 bay bus station pedestrian concourse and 4 bay coach park, to include new glazing to the full elevation with new automatic doors out on to a new fully DDA compliant bus concourse.

Part of the replacement of the Western elevation will include further glazing and a new entrance area leading directly from the newly developed public realm area between the building and Tithebarn Street.

The remaining ground floor and mezzanine within the building will be refurbished to enhance the lighting, surface finishes and other existing features. This will provide an internal public space which can support the main uses together with initiatives from the private, public and voluntary sector.

Bus movements and circulation

In the interests of public safety and passenger convenience, it is proposed that the design of a redeveloped Bus Station enables the separation of the bus movements from those of pedestrians in the most efficient manner.

The existing configuration of the Bus Station involves bus movements along both the east and west aprons. One of the implications of this is that passengers accessing the Bus Station from the City Centre, across Tithebarn Street are required to negotiate manoeuvring buses on the west apron.

The County Council's overall proposals will include the delivery of a refurbished and reconfigured Bus Station and Coach Park utilising the full length of the east side of the building. This approach will completely remove bus traffic from the west apron as indicated on the plan at Appendix B. This will also enable the west apron to be utilised as the location of the multi-use 3G outdoor pitch, and four court indoor sports hall. The remainder of west apron will be integrated into an area of high quality public realm space providing better pedestrian connectivity into the city centre and towards the Railway Station in line with the aspirations for city centre public space provided by the initial stage of the Fishergate Central scheme.

Appendix B also shows how bus movements to and from the reconfigured bus station could be routed to maintain bus penetration into the city centre whilst enabling public realm improvements to match those along Fishergate. One of the objectives is to remove vehicular traffic from the length of Tithebarn Street between Old Vicarage and Lord Street.

Pedestrian movements

Pedestrian access to the Bus Station and MSCP is currently via a high level footbridge link from the MSCP to first floor of the Guild Hall Arcade, and at ground level across the west apron or via three subways:

- One at the north east corner from the Ringway side of Carlisle Street;
- One from Tithebarn Street, adjacent to St. Johns Centre; and
- One from the ground floor of the Guild Hall Arcade.

As referred to earlier, it is a key objective of this development to make it easier and safer for people to access the Bus Station at ground floor level across the west apron. Achieving this would provide the opportunity to consider the closure of each of the three subway access points. This would not only consolidate pedestrian access points but also mitigate those elements of anti-social behaviour that the existing subways encourage. The principle of this will be discussed in due course with the owners of St. Johns Centre. With regard to the high level footbridge and the subway to the Guild Hall Arcade, the new owners of the Guild Hall have indicated a desire to retain and improve these facilities, at their cost. This will be explored with them in due course as an alternative to closing these access routes.

Public realm

One of the main benefits of moving the Bus Station to the east side of the building along with the rerouting the buses onto Tithebarn Street means that all bus movements are removed from of the west apron.

This provides the opportunity to develop an area of public realm that will extend the shared space initiative currently being delivered along Fishergate which will complete the pedestrian connectivity between the Bus Station and Railway Station. Phase 2(a) of this work will see the initiative continue eastwards along Fishergate to Miller Arcade, whilst the final phase 2(b) will see it completed from Miller Arcade, up to and including the west apron of the Bus Station.

The extension and completion of the Fishergate Central Gateway Scheme was identified in the LEP's Strategic Economic Plan and secured £6m of Government funding in the LEPs Growth Deal, announced earlier this year.

This prospective new area of public realm will become one of Preston city centre's largest open spaces.

4. MSCP

The MSCP comprises an 1100 bay car park sited at a key location within Preston City Centre. The vision is for the car park to be recognised by visitors to the City Centre as being equal, in terms of overall standard of car parking, with the other major City Centre Car parks.

Following the transfer of ownership of the Bus Station and MSCP to the County Council, consultants were appointed to undertake a Structural Condition Survey of the building to assess the scale and nature of the works required in order to secure and preserve the structural integrity of the building and extend the life of the building by a further 25 years, up to 2041.

In general the condition of the building was found to be as would be expected of a concrete structure built in 1969, with the main defects being as a result of ineffective waterproofing during the construction and subsequently, a lack of concrete cover to the reinforcement and the presence of high levels of embedded chloride within the concrete. These defects and the rate of deterioration already experienced do not give rise to particular concerns with regard to the structural integrity of the building in the short term. However, if the defects were left untreated for an extensive period of time, the asset will reach a point where remediation could become cost prohibitive.

In their report, the consultants set out three scenarios for the remediation work and repairs:

- do nothing;
- recommended minimum; and
- do maximum.

The 'Recommended Minimum' option is the minimum the consultants recommended for consideration as the preferred option to the County Council and in their view will provide the most cost effective solution in dealing with the deterioration of the building in the short term and avoiding more cost in delaying its inevitable repair in the long term. Dealing with the issues in the short term will ensure the ongoing integrity of the building whilst reducing the County Council's risk and liabilities in the future. This approach would include the total remediation of all current defects and an assessment of previous repairs to determine whether they have been appropriately remediated.

A 'Rough Order of Magnitude' (ROM) cost exercise was undertaken by the consultants, using three categories: Lower Bound, Likely costs and Upper Bound. The 'most likely' costs of the recommended minimum option have been used to

inform a remediation strategy. There is a wide range of possible costs and more detailed investigation and analysis is needed before works estimates can be brought forward. The use of the ROM costs has therefore been limited to assisting with devising an overarching remediation strategy which will comprise:

- A series of general concrete repairs. Localised spalling concrete has left the reinforcement within the concrete structure exposed. Loose concrete will be broken away, corroded reinforcement will then be cleaned before the concrete is replaced thereby protecting the cleaned metal within.
- New anti-carbonation coating to the concrete soffits. This would involve the removal of the existing coating from the underside of the deck soffits, including the curved perimeter feature, to be replaced by a new coating to prevent further intrusion of carbon dioxide into the concrete.
- New waterproof coatings to the car park decks. The top two (most exposed to the weather) and bottom two (most heavily trafficked) decks require the replacement of the reinforced waterproof deck whilst the intermediate five parking decks require the addition of a new waterproof coating.
- Cathodic protection to areas at high risk of corrosion. Cathodic protection is the only corrosion prevention technique with a proven track record of being able to provide the required life extension where contamination has already occurred and regardless of the extent of contamination.

The first three elements of the suggested remediation strategy will arrest continued deterioration. The process of cathodic protection will extend the life of the building for 25 years.

The refurbishment of the MSCP will include a new lighting system, car park ticketing replacement of the crash barriers on the ramps to the MSCP, the replacement of the existing three passenger lifts and one goods lift and the refurbishment of three stairwells.

5. Phasing of works

With regard to the sequencing of the proposed redevelopment works, consideration is being given to ways in which it will be possible to minimise the disruption and inconvenience to passengers and operators and in doing so seek to avoid the need to create on street facilities for the commencement and termination of bus services during this time.

The current aim is that the building work will commence with the redevelopment of the Bus Station along the east side of the building. During this period, all buses would commence and terminate from the west side. Once the new bus station is complete, the buses will move to their permanent position along the east side whilst the west side of the building is redeveloped, including the Preston Youth Zone Plus. At this time the redevelopment of the public realm space along the west apron will take place so that upon the completion of the internal re-modelling and the Preston Youth Zone Plus the external space will be completed as well.

The proposed works to the MSCP will be phased to allow elements of the MSCP to remain open during the works.

6. Conservation Management Plan

As the owner of the Bus Station and MSCP, which through its listed building status is now a heritage asset, it is the responsibility of the County Council to set out how the building will be managed and sustained for the benefit of future generations.

This requirement is achieved through the preparation of a Conservation Management Plan (CMP). A CMP explains why a place or building is significant in terms of heritage and how an owner will sustain that significance in any new use, alteration, repair or general day to day management.

The preparation of a CMP requires the County Council to describe all the elements of the property along with rationale around their respective functions and their contribution to the listing. Thereafter, the County Council is required to establish principles against which the property will be managed. This will involve preparing detailed work programmes for the development, maintenance and management of the building and its surroundings.

In the context of the design work required to locate Preston Youth Zone Plus at the Bus Station, the County Council will appoint an external 'critical friend'. The role of this critical friend will be to bring their knowledge and experience of working on and around buildings of this nature to support the County Council in the preparation of its development proposal.

The CMP will be the basis against which any future proposals are assessed, and will be integral to any future applications that the County Council might wish to make for planning permission and listed building consent. If the proposed developments are in line with the principles set out in the CMP with particular reference to how the significance of the asset will be protected, then such will hopefully be supported. It is anticipated that a completed CMP will be available in January, 2015.

During the development of the CMP, the views of English Heritage and wider stakeholders will be sought to mitigate the risk of objections being raised in response to any proposals for change being brought forward.

7. Current Estimated Capital Costs and proposals for funding

The following tables set out the current estimated capital costs and how they will be funded in relation to the following five areas:

- Preston Youth Zone Plus;
- Redevelopment of the Bus Station;
- Creating a public realm;
- Highway works;
- Structural repair works to provide a 25 year life.

Description	Estimated Capital Cost £m	Funding source	Amount £m
Preston Youth Zone Plus	6.000	Original LCC contribution	3.000
		Further LCC Capital Contribution	2.000
		Private sector contribution	1.000
Total	6.000		6.000

Table 1: Preston Youth Zone Plus

Description	Estimated Capital Cost £m	Funding source	Amount £m
Redevelopment of the Bus Station (36 bays along eastern side of the building and apron)	3.900	Original LCC contribution of £8.3m to the construction of a new bus station, contained within the approved capital programme.	3.900
Light touch refurbishment to Western half of the building	0.500	As above	0.500
Coach station/taxi rank	0.630	As above	0.630
Car park (lighting and ticketing)	1.550	As above	1.550
Car park stairwell refurbishment and replacement of Lifts	0.800	As above	0.800
Total	7.380		7.380

Table 2: Creating a 36 Bay Bus Station and 4 Bay Coach Park

Description	Estimated Capital Cost £m	Funding source	Amount £m
Public realm works to the remainder of the Western Apron	2.000	Contribution from £6m of Government funding in the LEPs Growth Deal, announced earlier this year for the extension and completion of the Fishergate Central Gateway Scheme	2.000
Total	2.000		2.000

Table 3: Public Realm

Description	Estimated Capital Cost £m	Funding source	Amount £m
On Site and Off Site Highway works	1.500	Original LCC contribution of £8.3m to the construction of a new bus station	0.920
		Underspend on schemes within the Preston, South Ribble and Lancashire City Deal over its ten year period with any shortfall underwritten by the County Council (see below)	0.580
Total	1.500		1.500

Table 4: Highway works

Description	Estimated Capital Cost £m	Funding source	Amount £m
Concrete works	0.790	Potentially, external grant funding and underspend on schemes within the Preston, South Ribble and Lancashire City Deal over its ten year period with any shortfall underwritten by County Council (see below)	0.790
Replacement of the reinforced waterproof deck to 4 no. parking decks (the and top and bottom two decks, as the most exposed to risk)	0.919	As above	0.919
New waterproof coating to 5 no. parking decks (intermediate decks)	0.381	As above	0.381
Replacement of ARMCO barriers to entrance ramps	0.059	As above	0.059
Refurbishment of internal crash barriers	0.023	As above	0.02m
Total Removal of existing coating and provision of new anti-carbonation coating to concrete soffits	2.860	As above	2.860
Installation of cathodic protection	1.430	As above	1.430
Total	6.462	Total	6.462

Table 5: Structural repair works to provide a 25 year life (the above prices are at June 2016)

8. Next steps

Based on the proposals set out in this report; it is proposed that the immediate next steps are to:

- Work with the Preston Youth Zone partners to develop the scheme for the Preston Youth Zone Plus;
- Start to work with the contractors recently selected for the County Council's Construction Framework to refine the estimates set out in this report;
- Complete the Conservation Management Plan to ensure the confirmed development proposals are consistent with the conclusions reached within the CMP;
- Prepare a consolidated development proposal for consideration by Cabinet;
- Prepare and submit an application for listed building consent/planning permission.

ACTIVITY	DATES
Appoint Critical Friend	December 2014
Work with Framework contractors on estimates	December 2014
Final Conservation Management Plan	January 2015
Consolidated Development proposal to Cabinet	March 2015
Submission of application for listed building consent/planning permission	April 2015
Anticipated planning approval and listed building consent	September 2015
Start on site	October 2015

Table 6: Milestone Dates

Consultations

N/A

Risk Management

The risk management implications of not following the proposals set out in this report can be summarised as follows:

1. Delivering Preston Youth Plus on the original terms will be extremely difficult;
2. The overall regeneration of Preston City Centre and the surrounding area will be adversely affected by the provision of substandard public transport facilities;
3. Pedestrian safety will continue be at risk until vehicular movements across the current bus station site and pedestrian movements are separated;
4. The external consultants strongly recommend that doing nothing to address the issues surrounding the structure of the bus station and MSCP is not an option. Due to the listed status of the building, delaying repairs and remediation could increase the inevitable costs of repair in the future. The rate of corrosion and spalling of reinforced concrete often follows an exponential

curve where delaying repair over the medium term can significantly increase the costs of remediating.

A more important risk of 'doing nothing' is the health and safety of users. In the short to medium term there would be minor risks associated with falling concrete onto pedestrians, albeit with a low probability of this actually happening. A more serious, long-term impact of taking no action would be the steady decline of the structural integrity of the building due to corrosion and loss of section of reinforcement bars.

Financial

Table 7 summaries how the capital contributions of the County Council will be funded:

Funding Source	Amount £m
Contribution from Children and Young Capital Programme	5.000
Original contribution to the construction of a new bus station	8.300
Contribution from £6m of Government funding in the LEPs Growth Deal, announced earlier this year for the extension and completion of the Fishergate Central Gateway Scheme	2.000
Potentially securing external grant funding and underspend on schemes within the Preston, South Ribble and Lancashire City Deal over its ten year period with any shortfall underwritten by county Council	7.042
Total	22.342

Table 7: Capital Funding Sources

The County Council needs to consider, the potential for securing external grant funding which at this point in time is unknown. Therefore the following paragraphs explain how this required capital can be funded in the absence of Heritage Lottery Funding.

Section 7 of this report outlines the County Council's capital funding package for the overall programme of works. The Bus Station was included in the Preston, South Ribble and Lancashire City Deal Programme, at the value of the County Council's previously approved contribution to a new bus station of £8.3m. The overall estimated value of the proposed schemes within the Preston, South Ribble and Lancashire City Deal Infrastructure Delivery Programme is over £350m. At its meeting on 8th July 2013, Cabinet agreed a series of recommendations required to underpin the delivery of the Preston, South Ribble and Lancashire City Deal Programme.

The report to Cabinet explained that in financial terms the City Deal is conceptually simple. A range of income streams generated for the various participating organisations through development are pooled in order to facilitate this development through the delivery of the transport infrastructure that makes the development possible.

While conceptually simple such an arrangement creates a range of specific financial risks for the County Council, which will in effect be the "managing agent" for the delivery of the whole City Deal, given that it will be the contracting party for the delivery of the transport infrastructure.

This "managing agent" status, and the fact that the County Council as the largest local participant needs to stand behind the cash flow profile of the City Deal means that the County Council is taking on significantly more financial risk exposure in ensuring the delivery of the City Deal than the other local participants. However, this risk exposure is not of a scale that is unmanageable given the overall strength of the County Council's balance sheet and its credit rating.

The overall programme of works costs could be more or less than originally estimated. Steps have been taken to mitigate this risk through the inclusion of a significant "optimism bias" (in some cases 40%) within the cost estimates produced. It is expected that this methodology together with the County Council's existing strong mechanisms for controlling the costs of projects of this sort will address both this risk and the impact of inflation on construction prices over the course of what is a 10 year programme, and indeed there is already evidence of this in terms of reduced costs coming through for some of the road schemes.

Therefore it would not be unreasonable for the County Council to include the additional requirement of £7.042m (in overall terms this would represent around 2.0% of the Infrastructure Delivery Fund) within the City Deal, on the basis that over the 10 year life of the programme it is reasonable to assume that savings of this value will be generated from the City Deal as the costs of projects are firmed up and finalised.

If this did not prove to be the case at the expiry of the 10 year period of the City Deal, then the County Council would be responsible for this sum (which it will have cash flowed) which is no different to the overall risk the County Council has agreed to take on the City Deal. Nevertheless in a worst case scenario, should the whole of this sum at risk need to be financed by the County Council through borrowing, then the impact on the revenue budget would be between £0.5m and £0.7m depending on interest rates at the time. There would, however be the possibility of this being offset to some degree through increased parking revenue as a result of the improvements made to the MSCP.

The revenue contribution of £150k pa to the Preston Youth Zone Plus will be funded from the savings in running costs from the closure of the Corporation Street premises and the Urban Exchange.

In terms of revenue costs, the report to Cabinet on 5th December 2013 explained that the Bus Station and MSCP currently incur a deficit on direct costs (i.e. before

corporate overheads etc.) of £0.187m per year. Given the scale of the operation the County Council did not incur any further indirect costs by taking on this asset. Examination of the budget has identified a number of potential areas of cost where the different approaches to service delivery in this area by the two councils will allow costs to be reduced by the County Council although this will not fully bridge this gap. This deficit is sensitive to a range of external factors including the general economic climate which have an impact on the core income streams, and the County Council has taken on income risk of a different nature to that which exists elsewhere within the budget, although on a relatively small scale when set in the context of the total budget.

In relation to eliminating this deficit, the proposals set out in this report will have two impacts. Firstly, a consequence of locating the Preston Youth Zone Plus at the Bus Station is that the Preston Youth Zone Plus will contribute to the overall running costs which are currently all of the County Council's responsibility. Secondly, the improvements to the MSCP will enhance the ability to generate car park income.

List of Background Papers

Paper	Date	Contact/Directorate/Tel
Report to Cabinet	5 th December 2013	Eddie Sutton, (01772) 53517 Assistant Chief Executive, Of the Chief Executive,

Reason for inclusion in Part II, if appropriate

N/A.