

CABINET MEETING:

19 December 2019

INDOOR ARENA UPDATE

INVESTMENT & DEVELOPMENT (COUNCILLOR GOODWAY)

AGENDA ITEM:

PORTFOLIO: BUSINESS & INVESTMENT

Appendices 1 – 10 of this report and other legal advice referred to in this report or the appendices are not for publication as they contain exempt information of the description contained in paragraphs 14 of part 4, paragraph 16 of part 4 Schedule 12A, and paragraph 21 of part 5 of Schedule 12A of the Local Government Act 1972.

Reason for this Report

1. To update Cabinet on the ongoing procurement process to secure a developer/operator consortium to deliver a new 15,000 capacity multi-purpose Indoor Arena at Atlantic Wharf, Cardiff Bay.
2. To seek Cabinet authority to acquire the Red Dragon Centre (“RDC”) investment at Atlantic Wharf, Cardiff Bay to enable delivery of the new Indoor Arena and to secure control of an important site adjacent to existing Council land with the potential to stimulate the next phase of regeneration of Cardiff Bay.
3. To seek authority to consider a new financial strategy as part of the procurement process to deliver the new Indoor Arena based on the same financial envelope as previously agreed by Cabinet and the Council.

Background

4. Delivery of a new Indoor Arena is one of two key strategic economic commitments set out by the political administration in their strategic policy vision document *Capital Ambition*. A new Arena has been a long-standing aspiration of the Council stretching back to 1999. It is an aspiration shared by the city’s business community, recently re-affirmed through the consultation process for the Council’s new Economic Strategy launched in April 2019. The project is regarded as the missing piece of city infrastructure needed to cement Cardiff’s international reputation as a major events city and to support the Council’s key tourism objectives: to attract more visitors that stay longer; and to establish Cardiff Bay as a premier UK visitor destination.

5. In February 2018, Cabinet authorised the selection of Atlantic Wharf as the preferred location for the delivery of a new Indoor Arena. The Atlantic Wharf site consists of two parcels of land: 12 acres owned by Cardiff Council, known as the County Hall site; and 13 acres owned by BA Pension Trustees Ltd (BAPTL), known as the RDC site (see Confidential Appendix 1).
6. At the same meeting, Cabinet authorised the Council to develop a detailed delivery strategy for the new Indoor Arena. This involved investigation of various site options across the Atlantic Wharf site to determine the optimum location for the new Arena. All feasible options required the Council to have control of BAPTL's land interest. In November 2018, Cabinet provided authority and funding to commence due diligence relating to the acquisition of the RDC site.
7. In February 2019, as part of the budget setting process, Cabinet approved an affordability envelope in the Council's Medium Term Financial Plan to support delivery of a new Indoor Arena including financial provision for the acquisition of the RDC site in the current budget.
8. In July 2019, Cabinet gave authority to begin a procurement process to secure a developer/operator consortium to deliver a new 15,000 multi-purpose Indoor Arena at Atlantic Wharf, Cardiff Bay. To enable this, Cabinet also provided authority for the Council to enter into a Memorandum of Understanding with BAPFL regarding the Council's acquisition of their property.

Issues

9. The Council has reached a stage in the procurement process where bidders will now be required to spend significant resources producing a detailed submission. This will involve developing the design of their proposed new Arena to Royal Institute of British Architects ("RIBA") Stage 2 to provide some detail on which to cost their proposals. As such, the Council will be required to demonstrate that it can deliver full control of all land required for the new Indoor Arena on the Atlantic Wharf site. The issue has become more pressing, as BAPFL have offered the current proposed deal (set out in detail in the draft contract at Confidential Appendix 6 only if a contract can be signed before 31 December 2019. If not any revised deal capable of being negotiated next year is likely to be based on an income strip model, and less advantageous terms. An income strip arrangement over the RDC would potentially inhibit any redevelopment of the site.
10. Further to the above, dialogue with bidders over recent months suggests that delivery of a new Arena on the basis of Model A (described in full later in this report) is challenging and therefore may not be attractive to mandate the bidders to complete a solution on the basis of Model A which may not be viable. Whilst it is not proposed to amend the financial envelope recommended by Cabinet and approved by the Council in

February 2019, approval is now sought to require bidders to submit their final tenders on the basis of at least two of the three available funding approaches. Consequently, it will not be mandatory for bidders to return final tenders on the basis of Model C. It is considered that this will be beneficial to the Council in terms of allowing the remaining bidders greater scope in selecting funding approaches which they consider viable.

Procurement Process

11. The Concession Contracts Regulations 2016 (“CCR”) apply to this procurement. As such, the Council has embarked upon a process similar to the Competitive Dialogue procedure described in the Public Contracts Regulations 2015 (as amended) with a view to securing a private sector consortium to deliver and operate a new Indoor Arena. However, under the CCR the Council is not bound by the formalities or rules governing the Competitive Dialogue procedure and is therefore afforded greater flexibilities under the CCR.
12. Noting the above, the Council intends to make a financial contribution towards the delivery of the project. The procurement process allows bidders to develop proposals in response to the Council’s output requirements and encourages innovation. The procurement process can continue until the Council can identify a solution or solutions that are capable of meeting its needs before a call for final tenders is made by the Council.
13. The procurement process commenced on the 20 August 2019 with a “*Call for Competition*” through an OJEU concession notice with the issuing of a Pre-Qualification Questionnaire (PQQ) for bidders to complete and submit by 27 September 2019.
14. A bidder’s day was held at the City Marketing Suite at Cardiff Castle on 12 September 2019. A range of interested parties from the UK’s leading arena operators, developers, construction companies and consultants attended the event.
15. The Council initially received seven PQQ submissions. However, three bidders withdrew their bids through a clarification process. On 27 September 2019, following evaluation of the PQQ responses, the Council selected two consortium bidders to progress to the Invitation to Submit Outline Solutions (ISOS) stage. Both consortium are led by arena operators of international standing and contain development partners with an established track-record in the delivery of related facilities.
16. Over the last two months the Council has progressed the ISOS stage with the two short-listed bidders. Dialogue sessions commenced on Wednesday 30 September 2019. There has been a total of 5 dialogue sessions with each bidder, covering:
 - Financial and legal proposals;
 - Operational proposals and experience;
 - Event programming;

- Design, management and maintenance; and
 - Social and economic value.
17. Following dialogue, the bidders were invited to present to the Council on Monday 25 November 2019, before submitting their Outline Submissions in response to the ISOS document on Tuesday 3 December 2019.
 18. The original procurement timetable set out in Confidential Appendix 2 aims to complete the procurement process in time for Cabinet to take a final decision on the Preferred Bidder in April 2020. At present, the process is progressing as anticipated.
 19. The previous report to Cabinet on the Indoor Arena in July 2019 established a financial strategy for delivering the project. The rationale was to ensure the financial contribution from the Council towards delivery of the Arena: is the minimum necessary; is clearly understood by bidders from the outset; and is capped. Essentially, the Council set three financial models for any grant and/or income strip commitment it may be required to make: Model A - a capital contribution envelope; and Model B – terms relating to an ‘Income Strip’ lease model approach and; Model C – a ‘Hybrid Solution’ approach. At the outset of the process, the Council’s preferred financial model was Model A, and bidders were required to provide an ISOS proposal for Model A. Bidders were also required to submit an Outline Solution on the basis of at least one other variant basis; Model B and/or a hybrid of the two models (i.e. a Model C). Details of the financial models are set out in Confidential Appendix 3.
 20. The procurement approach provides the opportunity for innovation through the process. Dialogue with bidders suggests the Council should review and refine its financial strategy in terms of the funding approaches that bidders will be able to submit their final tenders. It is proposed to continue to require bidders to submit at least two financial models for the Council to consider, but to allow bidders to determine which combination of Models A, B and C they wish to submit. This report seeks approval from Cabinet to set out this new financial approach the Call for Final Tender stage of the procurement process.

State Aid Considerations

21. The Council is confident that the procurement process will confirm that the new Indoor Arena will operate commercially, without ongoing Council subsidy, once delivered. However, based on the track-record of new Arenas delivered in the UK over the last decade, a public sector contribution will be required towards the construction costs. With this in mind the Council has made provision to enable a contribution within its budget to facilitate the delivery of the new Arena. The scale of contribution will be the minimum required to facilitate the development and this is currently being tested through the procurement process. The anticipated scale of contribution raises State Aid risks which will need to be mitigated when the Council takes the decision to confirm its contribution in April 2020. In advance of that, the Council has taken advice to understand the State Aid implications and approaches to

mitigation. The Council has previously received independent legal advice which sets out an approach to ensure any contribution from the Council is State Aid compliant. Further work will be undertaken, to ensure that any aid to be given will be consistent with the Block Exemption regulations before agreements are authorised to be entered into with the preferred bidder.

Procurement Timetable

22. The procurement timetable is progressing as set out in the procurement documents issued with the Call for Competition. The Council is now ready to progress to the second stage of dialogue with bidders with the key stages/dates set out below:

December 2019 - Cabinet to consider the acquisition of the RDC.

December 2019 - Council to issue Invitation to Continue Dialogue and associated documents for the Council to engage in further discussions with bidders for the purposes of improving and refining their offerings.

February 2020 – Council to close dialogue with bidders and invite them to submit final tenders for the delivery of the new Indoor Arena and associated works.

March 2020 - Cabinet to select the Preferred Bidder.

Acquisition of the Red Dragon Centre

23. In advance of the procurement process, the Council undertook detailed feasibility and due diligence work (see Confidential Appendix 5) to demonstrate the new Indoor Arena can be delivered on the Atlantic Wharf site within the Council's financial envelope. This work identified that some of the land currently in BAPFL's ownership is required to make delivery of the Arena affordable at the Atlantic Wharf location (see Confidential Appendix 1).
24. BAPFL are willing sellers to the Council but are only willing to sell the whole of their interest in the RDC site. In light of the Council's aspirations for the site, BAPTL has held back over the last 2 years from extending existing leases to prepare the site for redevelopment should the Council wish to do so. Before discussions began with the Council, BAPTL had agreed terms for lease extensions with a number of key existing tenants. They had also secured planning permission where that was required. These agreements significantly increase the value of the asset. Heads of Terms and a form of contract between the two parties are agreed and attached as Confidential Appendix 6. A legal report on the proposed contract is attached as part of Confidential Appendix 4.
25. The Council has negotiated a two-phase payment to reduce the risk to the Council of acquiring the asset in advance of the Council having concluded its procurement process for a new Arena. The second

payment will only be payable at the point of submission of a planning application for the new Arena project on any part of the Atlantic Wharf site (the combined County Hall and Red Dragon Centre site) in the next 10 years. This provides mitigation in the event that the Council is unable to bring forward the Arena project on the site.

26. The Council has commissioned external surveyors to provide a purchase report to demonstrate that the acquisition meets the Market Economy Operator Principle (MEOP). This requires the Council to enter into transactions on terms that are acceptable to a reasonable market operator, i.e. a private investor would also be prepared to invest in the site in the same circumstances and on the same terms, ignoring any benefits and liabilities which arise from the Council's position as a public authority. The report is attached at Confidential Appendix 7.
27. Although only part of the RDC site is needed to deliver the new Indoor Arena, the remainder of the site is also important to the Council given its adjacency to existing Council owned land and the potential of the combined sites to deliver a major regeneration once the new Indoor Arena is delivered. The existing building comprises a purpose-built leisure development constructed around 1997 offering 16 separate demises extending to approximately 176,607 sq ft, plus a 112 bed hotel, and an income-generating car park consisting of 801 spaces. The Council has appointed independent financial advisors to consider the acquisition of the property as an investment. Their advice is attached at Confidential Appendix 8. Existing lease arrangements generate a significant annual rent, also detailed at Confidential Appendix 7 & 8. Income exceeds the costs of acquiring the site and provides a surplus profit over and above day-to-day management costs.

Acquisition Risks

28. The Council's primary reason for acquiring the RDC site is to support delivery of the new Indoor Arena. As set out above, only part of the site is required to deliver the Arena, with the vast majority of the existing leisure investment being able to remain in situ (at least in the short term). It is therefore essential that the acquisition is viable as an investment in its own right.
29. In taking the decision the Council needs to be satisfied that the associated risks are manageable and proportionate. The Council has identified a number of key risks as follows:
 - Satisfying MEOP in meeting the asking price.
 - The quality of income over the long term and the potential for growth.
 - Trends in the UK retail/leisure market.
 - Management of leases, debts and voids.
 - The condition of the building and any requirement for investment.
 - The potential for redevelopment.

30. The independent advice set out at Confidential Appendix 7 considers the property related risks, including satisfying the MEOP. It provides a condition survey of the buildings and an associated investment plan.
31. Existing leases at the RDC have been managed effectively by BAPFL to provide the Council with the flexibility to redevelop the site if it chooses to do so in the future
32. The independent advice set out at Confidential Appendix 8 considers the financial risks associated with acquiring the investment, including the quality of existing leases and the potential for growth.

Investment Strategy

33. In the short term, annual rental income will exceed the annual cost of borrowing to acquire the asset. However, over the medium to long term the property will require investment and therefore the Council will need to prepare a business case to consider whether to:
 - a) *Retain* the residual asset as a property investment. Over the long-term this will require investment in the existing buildings but the cost of investment should be off-set by improved lease terms with key existing tenants;
 - b) *Remodel* the asset to enable regeneration by providing a brand new leisure facility and releasing surplus land for development. This would require negotiating new lease terms with key existing tenants and should deliver a significantly enhanced leisure facility through the attraction of new occupiers. This approach would be considered a major regeneration and could be delivered either directly by the Council, with the Council retaining the long-term asset, or through disposal, or a hybrid joint venture arrangement;
 - c) *Relinquish* the residual property not required to deliver the new Indoor Arena, to recover a proportion of the initial outlay. This may also require short-term investment in the existing asset to extend key existing leases to maximise value prior to sale.
34. The acquisition of the RDC site will present immediate asset management actions to facilitate the development of the Indoor Arena, including discussions with key existing tenants. Given the nature of the asset and the volume of expected financial transactions it is proposed that the Council employs a suitably qualified managing agent to undertake these negotiations and to undertake the day to day management of a site. The associated costs will be off-set through the retained income.

Next Steps

35. If Cabinet is minded to provide authority for the Council to acquire the RDC site, the Council will seek to complete the acquisition from BAPFL in January 2020.

36. Subject to Cabinet selecting a Preferred Bid in March 2020, an indicative timetable for the delivery of the new Indoor Arena would be as follows:

June 2020 - Development Agreement approved by Cabinet.

September 2020 - Detailed planning submission by the Developer.

May 2021 – Construction contract awarded with start on site.

Summer 2023 - Construction and associated works completed.

37. As part of the preparation for the later stages of the procurement and finalising the agreements with the preferred bidder, which will involve the transfer of an interest in land to the successful bidder, and the dealing with some third party rights, at this stage it is proposed to authorise the Director of Economic Development to appropriate land within the Atlantic Wharf site for planning purposes.

Reason for Recommendations

38. To update Cabinet on progress with the procurement process to select a developer/operator consortium for the delivery of a new 15,000 capacity Indoor Arena and to seek authority to acquire the RDC site to facilitate the delivery of the new Arena and the continued development of Cardiff Bay into a premier UK visitor destination.

Financial Implications

39. The financial implications set out the inter dependencies and the key considerations of both the Arena Procurement & RDC Investment.

Indoor Arena

40. This report and in particular the confidential appendices outline an update and option appraisals that are being discussed in the procurement for the delivery of the new 15,000 capacity Indoor Arena on Atlantic Wharf. A significant level of further due diligence will still be required to inform the affordability element of the future Cabinet report due in April 2020.
41. The report and appendices set out an updated financial strategy for delivering the Indoor Arena. The recommendation is that the new financial approach outlined is taken forward in order to provide the Council with the opportunity to explore all options with full flexibility at the next stage of the procurement process. This next stage will allow due diligence to be undertaken in order to fully understand the level of opportunity and risk involved in each proposal and will remain within the same financial envelope as previously agreed by Cabinet and Council.

42. Further due diligence will need to be undertaken before final completion to mitigate identified risks and demonstrate that delivery of the Indoor Arena is viable, affordable and can satisfy State Aid requirements as referenced in the July 2019 Cabinet report. This will include identifying the appropriate funding model and its duration in order to ensure the most optimal solution is found with a robust understanding of the opportunities and risks. This will also include identifying the most appropriate accounting and tax treatment and will include early dialogue with the Council's auditors and the position will be regularly reviewed as the Council proceeds through the next steps set out in the covering report.

RDC Investment

43. The report proposes the acquisition of the RDC, which will generate income for the Council's investment estate and consolidate the Council's interest in the Atlantic Wharf site, with the neighbouring County Hall site already used for operational purposes.
44. Borrowing to fund the acquisition will be required, with the period and timing of borrowing being dependent on Investment Strategies for the site referenced in paragraph 33 of this report as well as any other cash flows arising. In the event that long-term use is uncertain, the funding approach may be to use short-term borrowing. Interest rate implications and re financing risks will need to be considered in the funding approach to be adopted. This will have treasury management implications which will need to be managed in conjunction with the Corporate Director Resources and be within the limits and indicators agreed as part of the Council's Treasury Management Strategy.
45. Paragraph 23 of this report refers to linkages between acquisition of this site and the Indoor Arena procurement process, and Paragraph 33 sets out three possible scenarios that may be presented in a future report for Cabinet to consider. Each of these options will have significantly different financial implications for the Council, but for the purposes of this report a prudent assumption has been made that the RDC would be retained as an investment in the long term, and these financial implications have been drafted on this basis. Further detailed financial implications will be provided as part of any future Cabinet report that considers any other options for future usage or RDC including retaining, remodelling or relinquishing the site.
46. The total cost of the initial investment in the RDC is set out in Financial Schedule attached in Confidential Appendix 9. This is supported by an independent valuation of the site, pricing report and an independent financial report demonstrating that this acquisition is a worthwhile standalone investment for the Council to make and generates a positive net cumulative cashflow and NPV. Independent property and financial advisors have assisted in assessing the assumptions to include within the long-term financial model used to assess this investment. This includes reviewing assumptions on RPI, rental growth, letting incentives, voids, tenant break clauses, PPM / life cycle costs and service charge

costs which have all been prudently forecast based on detailed research of historic, present and future trends. A number of different sensitivities have also been carried out to stress-test the financial model and to ensure the investment is robust enough to take account of fluctuations in some of these key measures

47. An independent asset management report has also been carried out which details the current condition of the asset, along with any significant works that may be required upon acquisition. This is attached at Confidential Appendix 10. Independent property advice also suggests key tenants within the asset offer 'excellent covenant strength', with income from these tenants amounting to almost 60% of the current income stream. This provides key assurances on the long-term health of the investment asset. A tenancy schedule is attached within the Valuation Report at Confidential Appendix 7.
48. Despite robust due diligence being carried out on the investment asset which shows this is a viable investment for the Council, this asset, like any other, is not immune to significant shocks to the economy, or the difficulties facing the retail, food & beverage sectors at this moment in time. Cabinet must therefore be aware of the potential risks posed in acquiring this asset, in particular the reliance on generating sufficient rental income from tenants to service the debt and landlord costs that the Council will be liable for in acquiring the asset. Any costs that cannot be managed within the income generated from leases will impact on wider Property Investment revenue budgets.
49. An independent financial appraisal of the RDC acquisition was carried out and is attached in Confidential Appendix 8. This shows that the projected rental income paid by the RDC tenants will exceed the holding costs of the site, as well as the cost of repaying the interest and principal borrowed each year leaving the Council in a net positive revenue position in this investment.
50. Any future capital receipts generated from disposal of land or assets within this development should be utilised to repay any loans undertaken for the initial acquisition.
51. The report also refers to a possible deferred payment, payable upon submission of a planning application for an Indoor Arena on the Atlantic Wharf site. Details of the deferred payment are set out in Financial Schedule attached in Confidential Appendix 9.
52. This report recognises that an external Asset Manager will need to be appointed to pro-actively drive the letting and management of the RDC, and therefore requests approval for the novation of existing managing agents or the appointment of a suitable alternative as necessary to continue the effective management of the RDC asset. The initial and ongoing costs of hiring a managing agent for the asset have been considered as part of the overall investment decision. The ongoing monitoring of this investment asset will be critical to managing Council risk. The appointed managing agent will therefore manage the asset on a

day-to-day basis on behalf of the Council, with periodic reports to be presented to the Council's Property Investment Board as appropriate.

53. Approval of this business case will trigger the Indoor Arena affordability envelope agreed as part of the Council approved budget in February 2019. In approving this report, Cabinet will therefore be agreeing to adjust the Budgetary Framework for 2019/20 as per the governance arrangements agreed by Council in February 2019. The key areas of change to the Budgetary Framework will include:
- a) Increases to the Capital Programme expenditure to reflect this proposal agreed by Cabinet;
 - b) An increase in the borrowing requirement and affordable borrowing limit and associated treasury management indicators to cover expenditure commitments identified within this report and appendices; and
 - c) Increases in the revenue budget requirement to be included in the MTFP in future years.
54. Treasury management implications of this transaction have been considered and a financing plan put in place. The impact of these proposals on the Capital Programme and Treasury indicators will be included as part of the periodic reports received by Council in respect of Treasury Management. There are short and long term funding risks associated with this transaction which will also need to be considered in these reports.
55. VAT advice has been sought regarding this acquisition and a decision has been made to opt to tax the site based on the red line plan attached at Confidential Appendix 1. Subject to Cabinet approval of the purchase, the Council will submit an option to tax the site to HMRC at the earliest opportunity. If there are any changes to future intentions of the site then further VAT advice should be sought immediately to avoid any potentially adverse effects to the Council's VAT position.

Legal Implications (including Equality Impact Assessment where appropriate)

56. Section 120 of the Local Government Act 1972 enables the Council to acquire land for either (a) the benefit, improvement or development of its area or (b) for any of its functions under any enactment.
57. Section 145 of the Local Government Act 1972 enables the Council to do, or arrange for the doing of, or contribute towards the expenses of the doing of, anything necessary or expedient for the provision of entertainment of any nature or the provision of a theatre, concert hall, dance hall or other premises suitable for the giving of entertainments and any purposes incidental to that provision.
58. Section 123 of the Local Government Act 1972 enables the Council to sell or lease land at the best consideration that can be reasonably

obtained. It should be noted that the acquisition of the RDC does not at this stage engage Section 123. Issues relating to the transfers of any interests in land fall outside the scope of this report.

59. Section 12 of the Local Government Act 2003 enables the Council to invest (a) for any purpose relevant to its functions under any enactment or (b) for the purposes of the prudent management of its financial affairs.
60. Section 1 of the Local Government Act 2003 enables the Council to borrow money for any purposes relevant to its functions under any enactment.
61. The Council has wellbeing powers in regard to promoting and improving economic, social or environmental wellbeing pursuant to the Local Government Act 2000.
62. The Council's decision makers need to take account of the Council's fiduciary duties to the local residents and taxpayers. As such, proper consideration needs to be given to the risks, rewards and potential future liabilities of the proposals which are the subject of this report. The issue concerns whether the potential risks and liabilities described in the report are proportionate to securing the stated economic development objectives and thereby in the best interests of the local taxpayers and residents. Any viable alternatives for delivering the economic development objectives should be considered.
63. Appointment of centre managers for the RDC will need to take account of the Public Contracts Regulations 2015.
64. Acquiring and/or operating commercial centres is an economic activity and hence a matter to be considered in terms of State Aid. This requires the Council to acquire, fund and operate centres in the same manner as a commercial operator or investor, except in the case of relevant exemptions or approvals. Expert opinion has been obtained in this regard and is set out in the confidential appendices.
65. The decision about these recommendations has to be made in the context of the Council's public sector equality duties. The Council also has to satisfy its public sector duties under the Equality Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties, Councils must in making decisions have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. The protected characteristics are: age, gender reassignment, sex, race - including ethnic or national origin, colour or nationality, disability, pregnancy and maternity, marriage and civil partnership, sexual orientation, religion or belief – including lack of belief. If the recommendations in this report are accepted and when any alternative options are considered, the Council will have to consider further the equalities implication and an Equality Impact Assessment may need to be completed.

66. The Well-Being of Future Generations (Wales) Act 2015 (“the Act”) places a ‘well-being duty’ on public bodies aimed at achieving 7 national well-being goals for Wales – a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible.
67. In discharging its duties under the Act, the Council has set and published well-being objectives designed to maximise its contribution to achieving the national well-being goals. The well-being objectives are set out in Cardiff’s Corporate Plan 2018-21:
<http://cmsprd.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Corporate-Plan/Documents/Corporate%20Plan%202018-21.pdf>

The well-being duty also requires the Council to act in accordance with the ‘sustainable development principle’. This principle requires the Council to act in a way which seeks to ensure that the needs of the present are met without comprising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:

- Look to the long term;
- Focus on prevention by understanding the root causes of problems;
- Deliver an integrates approach to achieving the 7 national well-being goals; and
- Work in collaboration with others to find shared sustainable solutions;
- Involve people from all sections of the community in the decisions which affect them.

The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below:

<http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

68. The Council has to be mindful of the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards when making any policy decisions and consider the impact upon the Welsh language, the report and Equality Impact Assessment deals with all these obligations. The Council has to consider the Well-being of Future Guidance (Wales) Act 2015 and how this strategy may improve the social, economic, environmental and cultural well-being of Wales.

RECOMMENDATIONS

The Cabinet is recommended to:

- i) Note progress with the procurement process to secure a developer/operator consortium to deliver the new Indoor Arena;

- ii) Authorise the acquisition of the RDC investment in line with the independent valuation and purchase report attached at Confidential Appendix 7 and the payment schedule attached at Confidential Appendix 9 and in accordance with the legal advice provided at Confidential Appendix 4;
- iii) Agree to the deferred payment set out in Confidential Appendix 6 payable in the event that a new Indoor Arena is brought forward on the Atlantic Wharf site illustrated by the red line boundary in the plan attached at Confidential Appendix 1;
- iv) Note that authorising the acquisition of the Red Dragon Centre investment will trigger the Indoor Arena affordability envelope, originally agreed as part of the Council approved Budget in February 2019, and therefore requiring relevant adjustments to the Budgetary Framework for 2019/20 agreed by Council in February 2019.
- v) Approve a new financial strategy as part of the procurement process as to the available funding models which bidders are able and required to submit their final tenders on and, for any grant and/or income strip commitment the Council may be required to provide as detailed in this report and set out in Confidential Appendix 3; and
- vi) Delegate authority to the Director of Economic Development to appropriate land for planning purposes as set out in this report.

SENIOR RESPONSIBLE OFFICER	Neil Hanratty Director of Economic Development
	Date

The following appendices are attached:

Confidential Appendix 1 - Site Plan
 Confidential Appendix 2 - Procurement Report
 Confidential Appendix 3 - Procurement Financial Models
 Confidential Appendix 4 - Independent Legal Advice
 Confidential Appendix 5 - Site Due Diligence
 Confidential Appendix 6 - Heads of Terms RDC
 Confidential Appendix 7 - Independent Purchase Report & Valuation
 Confidential Appendix 8 - Independent Financial Advice
 Confidential Appendix 9 - Finance Payment Schedule
 Confidential Appendix 10 - Asset Management Report

