

CABINET MEETING: 23 MARCH 2023

ATLANTIC WHARF UPDATE

**INVESTMENT & DEVELOPMENT (COUNCILLOR RUSSELL
GOODWAY)**

AGENDA ITEM: 11

Appendices 2-6 & 8-13 of this report are not for publication as they contain exempt information of the description contained in paragraphs 14 and 16 of Part 4 and paragraph 21 of Part 5 of Schedule 12A of the Local Government Act 1972.

Reason for this Report

1. To provide an update on the Indoor Arena project.
2. To provide an update and next steps for delivery of the Atlantic Wharf regeneration scheme.
3. To consider the Interim Business Case prior for the new MSCP subject to completion of Development Fund Agreement (DFA) for new Indoor Arena and the award of a contract to deliver the Multi-Storey Car Park to enable the regeneration of the Atlantic Wharf site and delivery of new Indoor Arena.
4. To obtain formal authorisation to write-off historic irrecoverable rent and service charge debts relating to the Red Dragon Centre in accordance with Part 3, Section 2, of the Cardiff Council Constitution, Executive Decision-making function number 20.

Background

5. In September 2021, Cabinet approved a Full Business Case for the delivery and operation of a new Indoor Arena. In July 2021, an Outline Business Case for delivery of a new Multi Storey Car Park (MSCP) was approved and authority was granted to develop an Outline Business Case for the redevelopment of the Red Dragon Centre.
6. In March 2022, outline planning permission was granted for the Atlantic Wharf site alongside detailed permission for the Arena, illustrated at Appendix 1.

Issues

7. To enable the delivery of the Arena and to stimulate the next phase of development of Cardiff Bay, the Council acquired the Red Dragon Centre in late 2019. The asset was acquired as an investment, based on the value of rent paying tenants. Over the course of the pandemic, when leisure facilities were closed for long periods, rental income from tenants was impacted. For most tenants the Council negotiated payment plans which deferred rent for an agreed period allowing tenants time to recover and to catch-up. However, the pandemic also led to many business closures across the sector. Three businesses in the Red Dragon Centre closed with significant rental arrears and one business with significant arrears has had a new lease negotiated. The asset has delivered a surplus of rental income since it has been owned by the Council. This surplus has been reserved to enable the Council to manage the transition to a new development where rental income will inevitably be impacted for a period. Despite the loss of rental income caused by these business failures, the Centre remained in surplus. The Council has subsequently followed the normal processes to recover debt and is now in a position where irrecoverable rent now needs to be written off as bad debt.
8. Following the pandemic, the UK economy has experienced significant volatility with abnormal levels of inflation and significant interest rate rises. Inflationary pressures have pushed the original design of the new Indoor Arena from the procured figure of £180m to close to £280m. The Council's financial envelope established through a public procurement process is capped and therefore Live Nation has had to take responsibility for these price increases. Live Nation remains committed to the project and has secured board level approval to cover the costs. Nonetheless, Live Nation is now working to reduce the level of cost increase through a review of the Arena design and reconsideration of site infrastructure requirements.
9. The increase in interest rates is also having an impact on development, significantly reducing the value in projects to mitigate developer risk. This has led to a significant slow-down in the development sector. The redevelopment of the Red Dragon Centre, when considered in isolation, was always a fairly marginal development opportunity, given the nature of tenants accommodated in the building, i.e. low yield leisure-based tenants. The increase in interest rates means that an isolated redevelopment of the Red Dragon Centre is unlikely to be brought forward by the private sector in the near future and therefore the Council is reviewing its strategy and considering the inclusion of the Red Dragon Centre as part of a wider development opportunity.

Indoor Arena

10. The cost of delivering the new Indoor Arena project has risen by more than 50%. Consequently, Live Nation has had to undertake a detailed review of the design to identify any opportunities to make savings. This has caused a significant delay to the programme. It is now anticipated that the final contract will be signed in July 2023 with a start on-site programmed for January 2024.

11. Despite the increase in costs and the delay, Live Nation remains fully committed to the project and has secured board approval to absorb the cost increase (see Confidential Appendix 2).
12. Nonetheless, their intention is to reduce the amount of additional investment required to mitigate the ongoing inflation risk to the project. Their review of costs covers all aspects of the design of the building including the structure of the building and the fabric of the building. However, it has been identified that a significant opportunity to reduce costs relates to the wider site infrastructure, site remediation, and energy opportunities.
13. The developer has provided some early revised indicative layouts for the Indoor Arena as well as some options for changes to external design. Any changes will be considered through the normal planning process. Some illustrations of updated design proposals are provided at Confidential Appendix 3.
14. As part of the ongoing design review, it has become increasingly clear that to deliver on the Council's vision for a carbon neutral sustainable development a wider energy strategy is required across the whole Atlantic Wharf site. The Arena is a key element in determining the wider energy strategy as set-out at Confidential Appendix 4. The intention is to develop an Outline Business Case for site energy infrastructure and to have a preferred strategy approved by Cabinet before the final contract is signed for delivery of the new Arena.
15. The review of site infrastructure, remediation and energy requirements for the Arena provides an opportunity to deliver benefits for the Council across the wider Atlantic Wharf site linking-in to projects such as the redevelopment of the Red Dragon Centre and whatever is subsequently decided for the current County Hall site. Consideration of any opportunities arising from this will form part of the Development Fund Agreement to be considered by Cabinet in July 2023.

Atlantic Wharf Masterplan

16. The Atlantic Wharf masterplan was approved by the Local Planning Authority (LPA) in March 2022. The permission was granted as outline, reflecting the nature of the plan, which will evolve and change as opportunities and constraints arise.
17. A key aspiration of the plan is the redevelopment of the Red Dragon Centre to free up land for development and to enable a new stronger link back to the Cardiff Bay waterfront to establish the Atlantic Wharf site as a seamless extension of the Inner Harbour visitor attraction. Whilst lease arrangements at the Red Dragon Centre are primed to enable redevelopment, the Council also needs to protect its investment and therefore has begun negotiations with key tenants to relocate them into new purpose-built accommodation. This work has been progressing well with key tenants and the masterplan (attached at Confidential Appendix 5) is evolving to meet their needs.
18. The masterplan area also includes the current County Hall site. The initial masterplan approved by the LPA proposed residential development across the County Hall site, should the Council subsequently decide not to continue to use the current building. Cabinet is scheduled to consider an Outline Business Case

on its Core Office Estate in June which will identify a preferred strategy to be developed into a Full Business Case. The masterplan has evolved to consider options for the re-provision of Council offices on the existing site including shared facilities with the Wales Millennium Centre, Capella project, detailed below and at Confidential Appendices 5, 11 and 12.

19. Consideration of the whole of the Atlantic Wharf site presents an opportunity to identify economies of scale in the delivery of infrastructure requirements, in particular energy requirements, to meet future demands. There are also opportunities to reduce costs for both the Arena developer and the Council by implementing a shared remediation strategy across the whole site. Work to explore these opportunities is on-going and will be reported back to a future meeting of Cabinet.

Multi Storey Car Park

20. The delivery of a new Multi Storey Car Park (MSCP) is a key enabling project for the delivery of the Indoor Arena and the wider Atlantic Wharf regeneration. There is a legal requirement for the re-provision of the parking spaces which will be lost with the construction of the Indoor Arena. It is also a major consideration in the regeneration of the Red Dragon Centre site with particular relevance to the phasing strategy as set-out in Confidential Appendix 6.
21. The car park will deliver approximately 1,300 spaces, circa 70% of the existing provision across Atlantic Wharf which supports the wider policy objectives to support public transport and active travel. Appendix 7 illustrates the red line boundary of the Atlantic Wharf site and the existing current provision being replaced at the location of the proposed new MSCP.
22. As part of the Business Case development for the delivery of the MSCP, the Council has completed a public procurement process to secure a contractor to deliver a system-build solution for the new MSCP. Confidential Appendix 8 outlines the process, the rationale, and the recommended bidder for the delivery of the new Atlantic Wharf MSCP.
23. The Business Case set-out within Confidential Appendix 9 updates the revenue model for the MSCP to include the procured project costs and the current market information with regards to the revenues for car parking charging, usage, and electrical vehicle charging. The Council has been able to procure the MSCP within the projected affordability envelope.
24. If the recommendation for the delivery of the MSCP is approved, the Council will enter a Pre-Contract Service Agreement (PCSA) with the recommended contractor prior to entering the build contract to allow the preferred contractor to develop designs and submit a planning application. Upon the granting of planning and the contract value remaining within the agreed affordability envelope, and successful completion of the PCSA activities the Council will enter into a build contract with the recommended contractor. The underwrite for the PCSA is contained within Confidential Appendix 8.
25. The build contract for new the MSCP will only be entered upon the DFA on the Arena is entered into by Council.

26. The Council is scheduled to conclude the acquisition of the Future Inns site in March and is expected to start on -site with the construction of the MSCP in the autumn of this year.
27. The Business Case for the new MSCP is set against the requirement and obligations for the delivery of the new Indoor Arena and the regeneration of Atlantic Wharf. The car parking charging model assumes that all car parking will be charged and there will be no free car parking. There will need be consideration in future reports for the regeneration of the RDC with regards existing and new tenants and the impact this may have on leases. However, the strategy is in-line with the Councils commitment to its transport plan and One Planet commitments. These decisions will have to been completed prior to entering build contract for the delivery of the new MSCP within Atlantic Wharf.

Red Dragon Centre (RDC)

28. The Council has appointed external surveyors to assist with the development of an Outline Business Case (OBC) for the redevelopment of the Red Dragon Centre. The OBC is considering the following options:
 - Option 1 - remaining 'as is' with no changes to the existing leases or building.
 - Option 2 - extend current leases within the existing building footprint and undertake localised/minor works.
 - Option 3 - extend the current leases within the existing building in consideration of any building works requirements or modernisation required to extend the leases to an optimal level. Also, consider any development or disposal opportunities outside the current investment to deliver additional value.
 - Option 4 - the redevelopment of the Red Dragon Centre.
29. The development of the Outline Business Case for the Red Dragon Centre (RDC) has involved dialogue with various key tenants to understand their requirements, preferences, phasing and costs. To support the completion of the Outline Business Case there is now a requirement to undertake a further soft-marketing exercise. Given the situation with interest rates, the intention is to expand the opportunity across the wider Atlantic Wharf site, including the existing County Hall site (albeit subject to any future Cabinet decision on its future use). The proposed process will require the market to submit offers in-line with the development strategy outlined in Confidential Appendix 5.
30. The Council's preference is for the redevelopment of the Red Dragon Centre to be delivered through a private sector partner under Option 4. The soft-marketing process is to establish interest from the market and to identify a preferred delivery/investment approach. The process will ask interested parties to confirm whether they have an interest in providing indicative proposals on the basis of submitting offers based on acquiring land from the Council with the potential for the Council to buy back elements of the development but will not offer any

funding from the Council or any willingness to enter into any form of long lease or to act as a guarantor.

31. The aim is to conclude the marketing and to complete the Outline Business Case in time to return to Cabinet in July 2023. This will allow the Outline Business Case to take proper account of the Cabinet decision on the Core Office Estate scheduled for June 2023.
32. Confidential Appendix 10 highlights that there are number of smaller leases within the Red Dragon Centre that are due to expire in the summer of 2023. The Council is currently negotiating short-term extensions to these leases to optimise the short-term revenue position for the Council, whilst maintaining flexibility to enable redevelopment through the inclusion of appropriate breaks.

Bad Debt Write-Off

33. The rental income from the Red Dragon Centre has always exceeded the cost of repaying borrowing to acquire the asset (see Confidential Appendix 10). This has created a surplus that has been ring-fenced to assist with any short-term rent issues and to manage the anticipated drop off in rental income during the transition to a new development. Since the pandemic the size of this surplus has diminished due to issues with recovering rent and business failure.
34. Confidential Appendix 10 provides details of 4 lease agreements that have a debt liability. A brief background has been provided for each lease. The liability relates to outstanding rent and service charges that are now highly unlikely to be recovered. Three leases involve businesses that have become insolvent, and one involves debt that has been renegotiated as part of a new lease agreement.
35. During the pandemic, Welsh Government put in place a COVID19 Hardship Fund to support Local Authorities in managing additional costs, or income loss, as a direct result of the pandemic. This fund was utilised to create a bad debt provision whilst negotiations were undertaken with tenants. The debt outlined in Confidential Appendix 10 has been fully provided for in the Council's bad debt provisions in accordance with the Council's debt provision policies, local accounting procedures and statutory accounting regulations. Where circumstances change, and it becomes possible to collect the debt then it will be written back on and pursued.

Capella (Production Studio)

36. The Council has been in dialogue with the Wales Millennium Centre (WMC) throughout the development of the Atlantic Wharf masterplan due to its location and its link between the Atlantic Wharf site and the Cardiff Bay waterfront.
37. As part of these discussions WMC has set out its aspiration to deliver a new Production Studio facility in close proximity to their existing building. The Council has worked with WMC to develop a viable proposal as part of the Atlantic Wharf regeneration scheme. The Production Studios project, known as 'Capella', aims

to facilitate the production of local and national 'content' to support the WMC offer and help to develop the cultural offer within Cardiff and Wales. A summary overview of the Capella vision is attached at Confidential Appendix 11.

38. The Council and WMC have considered various locations across the Atlantic Wharf site as outlined at Confidential Appendix 12. The preferred option of WMC is an integrated solution with shared facilities as set out in Confidential Appendix 5.
39. The Outline Business Case for the Capella Project will be concluded as part of the Red Dragon Centre Outline Business Case as part of the consideration for the wider regeneration for the Atlantic Wharf, to be presented back to Cabinet in the summer of 2023 to identify the strategic options available.
40. In July 2021, Cabinet approved a Memorandum of Understanding (MOU) with WMC to initiate an Atlantic Wharf Cultural Production Partnership with the aim to work towards developing joint areas of working. This includes a shared vision and work programme to align Cardiff's economic strategy and creative sector development plans to maximise opportunities for talent development, expressive arts creative education and to support production and performance to boost the city's international cultural profile and to drive inclusive growth within the creative industries in Cardiff. The key objectives include:
 - To raise the international profile of the creative sector in Cardiff.
 - To increase the value of creative and cultural production in Cardiff.
 - To increase attendance and participation at creative/cultural productions events in Cardiff.
 - To support a diverse talent pipeline to sustain the creative sector in Cardiff.
41. Since July 2021, the MOU has been further developed to include the key principles relating to the delivery of the Capella project and is attached at Confidential Appendix 13. The principles set out in the MOU are subject to Cabinet approval of an Outline Business Case for the Capella project, which is scheduled to be reported back to Cabinet in July.

Next Steps

42. To progress the Atlantic Wharf Regeneration Scheme, it is proposed that the Council will take forward the following next steps:
 - Enter a PCSA with the recommended contractor for the delivery of the Multi-Storey Car Park (MSCP) and, subject to the successful completion of the PCSA activities and the project remaining within the affordability envelope set out in the procurement documents, subsequent entry into the associated build contract with the recommended contractor. The contract for the new MSCP will also only be entered at the point the Arena DFA has been agreed and approved by Cabinet.

- Conclude the Outline Business Case for the Capella project for consideration by Cabinet in July 2023.
- Develop the Outline Business Case for the Atlantic Wharf Energy Strategy for consideration by Cabinet in July 2023.
- Commence a soft-marketing exercise covering the whole of the Atlantic Wharf site to attract interest in the redevelopment of the Red Dragon Centre and to assist with the completion of the Outline Business Case for the Red Dragon Centre redevelopment for consideration by Cabinet in July 2023.
- Complete the DFA for delivery of new Indoor Arena.

Reason for Recommendation

43. To seek approval of the Full Business Case for the delivery of a Multi-Storey Car Park as part of the Atlantic Wharf regeneration scheme and to take appropriate next steps to accelerate the wider development.

Financial Implications

44. This report provides progress updates on the Indoor Arena and the development of the business case for the WMC Capella, Energy Strategy and the next steps for the Councils vision for the regeneration of Atlantic Wharf including the progression of the Outline Business Case for the Red Dragon Centre. The report sets out that a business case led approach will be utilised with more detailed scheme proposals to be brought forward to Cabinet for review and approval in due course. More detailed financial implications will be provided as and when these detailed proposals are brought forward, with clear funding strategies in place to implement.
45. The report also seeks approval of the MSCP Interim Business Case and Procurement as set out in Confidential Appendix 9, as well as delegated authority to deal with all aspects of the delivery. The delivery of the MSCP is a Council obligation within the Indoor Arena Development and Funding agreement (DFA), with the construction of the MSCP and all associated costs due to be met from the Arena Affordability Envelope. This is expected to be delivered on a fully self-financing and sustainable basis in the long-term.
46. The MSCP Interim Business Case (attached as Confidential Appendix 9) sets out the proposed capital costs of delivery for the MSCP following an open procurement process, along with updates to the proposed revenue model for the MSCP to include current market information with regards to the revenues for car parking charging, usage, and electrical vehicle charging. The Council has been able to procure a contractor to deliver the MSCP within the projected affordability envelope, with the Interim Business Case in Confidential Appendix 9 indicating a positive NPV for the overall scheme, albeit there may be some annual cashflow implications in early years that will require careful financial management.
47. The Interim Business Case is currently based on a number of key assumptions re charging, policy and usage assumptions which will need to be reviewed again

ahead of financial close once more detailed information is known. These working assumptions include a revised charging format for Red Dragon Centre (RDC) customers, as well as the long-term parking strategy for Council staff using County Hall. These will need to be given further consideration as the Council progresses the business cases for linked projects such as the regeneration of the Red Dragon Centre and the Outline Business Case for the new Core Offices, with appropriate decisions to be taken once the financial implications of progressing in this way are more fully understood.

48. Confidential Appendix 9 also sets out details of phase one of the procured Design & Build contract with preferred contractor, including design development and submission of a detailed planning application to be delivered under a Pre-Construction Services Agreement (“PCSA”). The anticipated cost of the PCSA is outlined in Confidential Appendix 9 in the form of a Council underwrite. In practice, this gives the contractor the confidence to commit to delivering design and development work required to achieve a satisfactory planning consent, with the Council agreeing to underwrite these costs if, for reasons outside the contractors control, the main works contract did not proceed. However, if contractors detailed designs do not achieve planning consent, or exceed the affordability envelope set by open procurement, this work is at contractors’ risk and the Council will not be required to reimburse PCSA costs.
49. The report also seeks authorisation to write-off historic irrecoverable rent and service charge debts for Red Dragon Centre tenants as set out in Confidential Appendix 10. During the pandemic, Welsh Government put in place a COVID19 Hardship Fund to support Local Authorities in managing additional costs, or income loss, as a direct result of the pandemic. This fund was utilised to create a bad debt provision whilst negotiations were undertaken with tenants. This debt has been fully provided for in the Council’s bad debt provisions in accordance with the Council’s debt provision policies, local accounting procedures and statutory accounting regulations.
50. There are number of the smaller leases within the RDC are due to expire in summer 2023. The Council are negotiating extensions to these leases to optimise the revenue position for the Council whilst retaining break clauses to allow for future re-development subject to Cabinet approval of future business cases. Confidential Appendix 10 sets out projected cashflows over the next 5 years including projected revenue impacts linked to loss or revenue from 2023-24 initially and reducing again in 2025-26 when the MSCP and Travelodge are due to be delivered as part of the new Indoor Arena development. Cabinet must therefore be aware of the impending cashflow issues, 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 over the next 5 years and beyond. Any costs that cannot be managed within the income generated from leases will impact on wider Property Investment revenue budgets.
51. Recent inflationary increases in construction sector have resulted in significant rises in the projected cost of delivery for the Arena, MSCP and all associated Atlantic Wharf projects. Initial capital funding for delivery of the Arena and the MSCP remains in place via the Arena Affordability Envelope, however this will need to be continually reviewed to demonstrate ongoing affordability.

Legal Implications

Indoor Arena

52. As no decision(s) are being made at this time there are no legal implications associated with this update.

Atlantic Wharf Masterplan

53. There are no legal implications associated with this update.

Multi Storey Car Park

54. The Council evaluated the bids received in accordance with the evaluation criteria and methodology set out in the procurement documents, which led to the identification of the most economically advantageous tender. Further detail on the procurement process is set out in Confidential Appendix 8.
55. Cabinet approval is now sought to award the contract to Goldbeck Construction as the successful contractor.
56. Prior to entering into the contract with Goldbeck Construction the Council will be required to provide debriefing information and observe a mandatory 10-day standstill period in accordance with the Public Contracts Regulations 2015 (as amended).

Red Dragon Centre (RDC)

57. Options 1 - 3 (as set out above) ought not raise any procurement law implications whereas Option 4 has the potential to engage the procurement rules, as per the comments, below.
58. Where the Council disposes of the RDC plot and/or wider plots within the Atlantic Wharf site, it is able to do so without engaging the procurement rules where those arrangements are straightforward land transactions.
59. However, where a land transaction includes development obligations being placed on a developer this may then fall within the scope of the procurement rules and (subject to value) may require the need for an FTS competitive tendering exercise to be advertised and conducted for the award of that opportunity.
60. Section 123 of the Local Government Act 1972 enables the Council to dispose of land "in any manner they wish", provided that it is for the best consideration reasonably obtainable, for any interest for a term exceeding 7 years (or an assignment which still has more than 7 years to run). The Council intends to dispose of the land by way of long leases so the best consideration obligations will apply. If a relevant disposal is for less than best consideration, it will require the consent of the Welsh Ministers unless the general consent applies. At this stage, the Council intends to carry out an open market testing exercise in order

that it can obtain an informed estimate of the market value of the [RDC][Plots available within the Atlantic Wharf Masterplan].

Capella (Production Studio)

61. Further legal implications can be provided at a future cabinet on specific matters raised in this report as those matter develop.

Equalities & Welsh Language

62. In considering this matter the decision maker must have regard to the Council's 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. Protected characteristics are: (a). Age, (b) Gender reassignment(c) Sex (d) Race – including ethnic or national origin, colour or nationality, (e) Disability, (f) Pregnancy and maternity, (g) Marriage and civil partnership, (h)Sexual orientation (i)Religion or belief –including lack of belief.
63. When taking strategic decisions, the Council also has a statutory duty to have due regard to the need to reduce inequalities of outcome resulting from socioeconomic disadvantage ('the Socio-Economic Duty' imposed under section 1 of the Equality Act 2010). In considering this, the Council must take into account the statutory guidance issued by the Welsh Ministers ([WG42004 A More Equal Wales The Socio-economic Duty Equality Act 2010 \(gov.wales\)](#)) and must be able to demonstrate how it has discharged its duty.
64. An Equalities Impact Assessment aims to identify the equalities implications of the proposed decision, including inequalities arising from socio-economic disadvantage, and due regard should be given to the outcomes of the Equalities Impact Assessment annexed to this report.
65. The decision maker should be mindful of the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards.

The Well-being of Future Generations (Wales) Act 2015

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. 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 wellbeing objectives are set out in Cardiff's Corporate Plan 2020 -23.
67. When exercising its functions, the Council is required to take all reasonable steps to meet its wellbeing objectives. This means that the decision makers should consider how the proposed decision will contribute towards meeting the wellbeing objectives and must be satisfied that all reasonable steps have been taken to meet those objectives.

68. The wellbeing duty also requires the Council to act in accordance with a '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 compromising 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 integrated approach to achieving the 7 national well-being goals
 - -Work in collaboration with others to find shared sustainable solutions
 - -Involve people from all sections of the community in the decisions which affect them.
69. 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 on line using the link below: <http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

Policy and Budget Framework

70. The decision maker must be satisfied that the proposal is within the Policy and Budget Framework, if it is not then the matter must be referred to Council.

HR Implications

71. This report outlines proposals for the use of land currently occupied by the main staff car park at County Hall. It is understood that the full detail of this will be considered as part of a further Cabinet report on Core Offices in June 2023. Whilst the trade unions have been previously consulted on broad proposals concerning staff car parking, there will be a need for full consultation in advance of any further report to Cabinet.

Property Implications

72. The Red Dragon Centre acquisition completed in January 2020, and no one could have foreseen the Covid pandemic. The Centre was forced to close, out of the first 12-months of the Council's ownership, the Centre was completely closed for 7-months. Gradual re-opening was introduced and whilst some of the tenants managed to mobilised staff and bring them back from furlough, some of the smaller tenants found this more challenging and adopted a phased opening. As a result, whilst various grants were available, it was inevitable that the rental and service charge income would be severely affected. Through the Council's appointed managing agents, the Council continues to manage the Centre and keep open dialogue with tenants.
73. In terms of the MSCP, Estates are currently managing the Pizza Hut property which is earmarked for demolition and have assisted in all other land matters in relation to assembling the relevant land required for the construction of the car park.

74. There are no further specific property implications to be reported at this stage. It should be noted that the Corporate Property Strategy 2021-26 (CPS) was approved at Cabinet in December 2021. The CPS sets out in detail on the Council's wider property strategy going forwards, including relevant targets over the next five years such as on carbon reduction, which may have a bearing how the individual project business cases are developed.

RECOMMENDATIONS

Cabinet is recommended to:

- 1) Note the update on the new Indoor Arena project including the extension to the duration of the Pre-Contract Service Agreement.
- 2) Approve the Interim Business Case for the new Multi-Storey Car Park as set out in this report and at Confidential Appendix 9 and delegate authority to the Director of Economic Development in consultation with the Cabinet Member for Investment and Development, the Section 151 Officer, and the Monitoring Officer to enter into a Pre-Contract Service Agreement including the associated underwrite as set out in Confidential Appendix 8.
- 3) Authorise a soft-marketing exercise to promote the Atlantic Wharf site for investment as set out in this report to be reported back to a future meeting of Cabinet as part of the Outline Business Case for the redevelopment of the Red Dragon Centre.
- 4) Authorise the writing-off of bad debts as outlined in Confidential Appendix 10 and in accordance with Part 3, Section 2, of the Cardiff Council Constitution, Executive Decision-making function number 20.
- 5) Approve in principle the Memorandum of Understanding (MOU) relating to the Capella Project attached at Confidential Appendix 13 subject to an Outline Business Case and Heads of Terms being presented back to a future meeting of Cabinet for approval.
- 6) Authorise the development of an Outline Business Case for the Capella Project as outlined in this report and at Confidential Appendices 11 and 12 to be presented back to a future meeting of Cabinet for approval.
- 7) Note the Strategic Outline Case for the Atlantic Wharf Energy Strategy detailed at Confidential Appendix 4 and authorise the development of an Outline Business Case to be presented back to a future meeting of Cabinet for approval.

SENIOR RESPONSIBLE OFFICER	Neil Hanratty Director of Economic Development
	17 March 2023

The following appendices are attached:

Appendix 1 - Atlantic Wharf Masterplan Planning Permission Overview

Confidential Appendix 2 - Live Nation Letter

Confidential Appendix 3 - Arena Vision Update (Draft)

Confidential Appendix 4 - Energy Strategy - Strategic Outline Case

Confidential Appendix 5 - Updated Atlantic Wharf Masterplan

Confidential Appendix 6 - Phasing Strategy (Draft)

Appendix 7 - Atlantic Wharf Site Plan

Confidential Appendix 8 - Multi-Storey Car Park - Procurement

Confidential Appendix 9 - Multi-Storey Car Park - Interim Business Case

Confidential Appendix 10 - Updated Tenant Agreements & Financial Overview

Confidential Appendix 11 - Overview of the Capella Project (Wales Millennium Centre)

Confidential Appendix 12 - Capella Project Location Analysis (Wales Millennium Centre)

Confidential Appendix 13 - MOU WMC Capella Vision

Appendix 14 - Equality Impact Assessment (EIA)