

## ATLANTIC WHARF UPDATE: PRE-DECISION SCRUTINY

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*Appendices 2-6 & 8-13 of the Cabinet Report are not for publication as they contain exempt information of the description contained in paragraphs 14 and 16 of Part 4 and paragraph 21 of Part 5 of Schedule 12A of the Local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. It is viewed that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.*

### Purpose of the Report

1. To give Members background information to aid the scrutiny of the draft report to Cabinet regarding the next steps in the Atlantic Wharf regeneration, which is due to be considered by Cabinet at their meeting on 23 March 2023.
2. Members should note that **Appendices 2-6 and 8 -13** of the Cabinet report are exempt from publication. Members are requested to keep this information confidential, in line with their responsibilities as set out in the Members Code of Conduct.

### Scope of Scrutiny

3. At their meeting on 23 March 2023, the Cabinet will consider a report that provides updates on the Indoor Arena and the Atlantic Wharf regeneration scheme. The report recommends Cabinet to:
  - i) Note the update on Indoor Arena, including the extension to the duration of the Pre-Contract Service Agreement
  - ii) Approve the Interim Business Case for the new Multi-Storey Car Park and delegations to enter into a Pre-Contract Service Agreement, which includes a Council underwrite.
  - iii) Authorise a soft-marketing exercise to promote the Atlantic Wharf site
  - iv) Authorise write-off of bad debts.

- v) Approve in principle a Memorandum of Understanding relating to the Capella Project
  - vi) Authorise development of an Outline Business Case for the Capella Project
  - vii) Authorise development of an Outline Business Case for the Atlantic Wharf Energy Strategy.
4. During this scrutiny, Members can explore:
- i) The updates on the Indoor Arena and wider Atlantic Wharf regeneration
  - ii) The proposals regarding the Multi-Storey Car Park
  - iii) The proposals regarding the Red Dragon Centre, including the Capella Project
  - iv) The proposed bad debt write-off
  - v) The financial, legal and property implications for the Council and whether there are any risks to the Council
  - vi) The next steps and timelines involved, and
  - vii) The recommendations to Cabinet.

### **Structure of the meeting**

5. The Chair will move that this item be considered in two parts: an open session, where Members will be able to ask questions on the issues and papers that are in the public domain; and a closed session, where members of the public will be excluded, where Members can ask questions that pertain to **Appendices 2-6 and 8-13**.
6. Members will hear from Councillor Russell Goodway (Cabinet Member – Investment and Development), Neil Hanratty (Director of Economic Development) and Chris Barnett (Operational Manager – Major Projects). There will be a presentation taking Members through the proposals and recommendations to Cabinet, followed by Members' questions.
7. Members will then be able to decide what comments, observations or recommendations they wish to pass on to the Cabinet for their consideration prior to making their decisions.

## Background

8. In November 2020, Cabinet approved the Live Nation consortium as the preferred bidder for delivery of the new Indoor Arena, authorised the land strategy, authorised a Pre-Contract Service Agreement (PCSA), and authorised obligations on the Council to support delivery of the Arena, known as Conditions Precedents, including delivery of a Multi-Storey Car Park to replace surface car parking. Cabinet gave authority to develop an Outline Business Case (OBC) for the provision of the new MSCP.
9. In December 2020, Cabinet approved the Atlantic Wharf masterplan, the development of an OBC to redevelop the Red Dragon Centre, and submission of a hybrid planning application.
10. In July 2021, Cabinet approved the OBC for the MSCP. The Indoor Arena Full Business Case was approved by Cabinet in September 2021.
11. In March 2022, detailed planning consent for the new Indoor Arena and outline consent for the Atlantic Wharf regeneration scheme was granted.
12. The draft report to Cabinet entitled '*Atlantic Wharf Update*' is attached at **Appendix A** and has 14 appendices:
  - **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)

## Issues identified in the Cabinet Report

13. The report to Cabinet contains the following sections:

- i) **Points 7-9** - Issues
- ii) **Points 10-15** – Indoor Arena
- iii) **Points 16-19** – Atlantic Wharf Masterplan
- iv) **Points 20-27** – Multi Storey Car Park
- v) **Points 28–32** – Red Dragon Centre
- vi) **Points 33-35** – Bad Debt Write Off
- vii) **Points 36–41** – Capella (Production Studio)

14. The main points contained in the report are:

### Indoor Arena

- i. Live Nation has secured board level approval to meet the increased costs resulting from inflation
- ii. Live Nation has identified potential savings by reviewing the structure and fabric of the building; any proposed changes will go through the normal planning process
- iii. Live Nation believe there are wider site infrastructure, site remediation and energy opportunities; these will form part of the proposed Development Fund Agreement to be considered by Cabinet in July 2023.
- iv. It is intended 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 Indoor Arena.

### Atlantic Wharf Masterplan

- v. The masterplan has evolved to meet the needs of existing Red Dragon Centre tenants and to consider options for the reprovion of council offices.

### Multi Storey Car Park

- vi. The Council has been able to procure the MSCP within the projected affordability envelope
- vii. Confidential Appendix 8 sets out the recommended bidder and details of the proposed Council underwrite
- viii. Confidential Appendix 9 updates the revenue model; decisions on car park charging and lease implications will need to be completed prior to entering into the build contract.

- ix. The build contract will only be entered upon when the Development Funding Agreement for the Indoor Arena is entered into by the Council
- x. It is anticipated that construction will start in Autumn 2023.

#### Red Dragon Centre

- xi. The Council's preferred option is redevelopment via a private sector partner; the Council is currently negotiating short-term extensions of leases, due to expire in Summer 2023, to optimise the Council's revenue
- xii. A soft-marketing exercise is required to establish interest and identify the preferred approach, with offers invited in-line with the development strategy at Confidential Appendix 5 and with no offer on funding or long lease or guarantor from the Council
- xiii. It is intended to expand the redevelopment opportunity across the wider site, including County Hall, albeit subject to any future Cabinet decision on its future
- xiv. The aim is to return to Cabinet in July 2023, after the Core Office Estate report has been considered in June 2023

#### Bad Debt Write Off

- xv. Confidential Appendix 10 provides detail of debt, arising from outstanding rent and service charges, which it is proposed to write-off.

#### Capella

- xvi. In July 2021, Cabinet approved a Memorandum of Understanding with Wales Millennium Centre; this has further developed to include the Capella Project, as set out in Confidential Appendix 13.
- xvii. The Outline Business Case for the Capella Project will be concluded as part of the Red Dragon Centre OBC, which is due back to Cabinet in July 2023.
- xviii. Wales Millennium Centre's preferred location for the Capella Project is set out in Confidential Appendix 5 and is an integrated solution with shared facilities.

#### **Financial Implications**

15. **Points 44-51** set out that more detailed financial implications will be provided as detailed proposals are brought forward. They also highlight:

- i) MSCP –
  - Construction and associated costs for the MSCP will be met from the Arena Affordability Envelope

- There may be some annual cashflow implications in the early years that would require careful financial management
- The MSCP is expected to be fully self-financing and sustainable in the long term
- The Interim Business Case will need to be reviewed once more detailed information is known
- ii) Bad Debt Write-Off
  - This is fully provided for and is in accordance with the Council's debt provision policies, local accounting procedures and statutory accounting regulations
- iii) Red Dragon Centre
  - Cabinet must be aware of impending cashflow issues
- iv) Indoor Arena
  - The Arena Affordability Envelope will need to be continually reviewed to demonstrate ongoing affordability.

### **Legal Implications**

16. **Points 52-70** set out the legal basis for the Council to award the contract for the MSCP, that competitive tendering may be required for disposal of land at Red Dragon Centre, and that further legal implications will be provided on specific matters in future reports to Cabinet. They also set out the need for the Council to consider its duties with regard to the Equality Act 2010, the Well- Being of Future Generations (Wales) Act 2015, Welsh Language Measure (Wales) 2011 and Welsh Language Standards, and ensure the proposal is within the Policy and Budget Framework.

### **Human Resources Implications**

17. **Point 71** states there will need to be full consultation with trades unions in advance of a further report to Cabinet, with regard to staff car parking.

### **Property Implications**

18. **Points 72-74** sets out the reasons for rental and service charge debt at the Red Dragon Centre, and that the Corporate Property Strategy 2021-2026 has targets for carbon reduction, which may have a bearing on how individual project business cases develop.

## **Proposed Recommendations to Cabinet**

19. The report to Cabinet contains the following recommendations:

- i. Note the update on the new Indoor Arena project including the extension to the duration of the Pre-Contract Service Agreement.*
- ii. 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.*
- iii. 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.*
- iv. 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.*
- v. 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.*
- vi. 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.*
- vii. 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.*

## **Previous Scrutiny**

20. The previous Committee undertook regular scrutiny of the various reports on the Atlantic Wharf regeneration, as set out in the previous report to this Committee on 11 July 2022, available [here](#).

21. In July 2022, this Committee undertook pre-decision scrutiny of a report to Cabinet on the Atlantic Wharf scheme, focusing on land acquisition and appropriation, the Multi-Storey Car Park, and updates to the Indoor Arena and overall masterplan. Following this scrutiny, the Chair, Councillor Wong, wrote a public letter to Councillor Russell Goodway, Cabinet Member – Investment and

Development, dated 13 July 2022, setting out the Committee's comments and observations and a recommendation. Councillor Goodway responded to this recommendation, in a letter dated 15 November 2022. Copies of these letters have been shared with Committee Members

### **Way Forward**

22. Councillor Russell Goodway (Cabinet Member – Investment and Development) will be invited to make a statement. Neil Hanratty (Director of Economic Development) and Chris Barnett (Operational Manager – Major Projects) will attend to give a presentation and all witnesses will be available to answer Members' questions on the proposals.

23. All Members are reminded of the need to maintain confidentiality regarding the information provided in **Appendices 2-6 and 8-13**. Members will be invited to agree the meeting go into closed session to enable discussion of this information.

### **Legal Implications**

24. The Scrutiny Committee is empowered to enquire, consider, review, and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters, there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.



## **Financial Implications**

25. The Scrutiny Committee is empowered to enquire, consider, review, and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters, there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

## **RECOMMENDATION**

The Committee is recommended to:

- i) Consider the information in this report, its appendices and the information presented at the meeting
- ii) Determine whether they would like to make any comments, observations or recommendations to the Cabinet on this matter in time for its meeting on 23 March 2023, and
- iii) Decide the way forward for any future scrutiny of the issues discussed.

**DAVINA FIORE**

**Director of Governance & Legal Services**

**17 March 2023**