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AGENDA

Committee	ECONOMY & CULTURE SCRUTINY COMMITTEE
Date and Time of Meeting	TUESDAY, 13 FEBRUARY 2018, 5.00 PM
Venue	COMMITTEE ROOM 4 - COUNTY HALL
Membership	Councillor Howells (Chair) Councillors Ebrahim, Gordon, Gavin Hill-John, Parkhill, Robson, Sattar and Stubbs

Time approx.

1 Apologies for Absence

To receive apologies for absence.

2 Declarations of Interest

To be made at the start of the agenda item in question, in accordance with the Members' Code of Conduct.

3 Pre-Decision Scrutiny: Multi- Purpose Indoor Arena (Pages 1 - 108) 5.00 pm

Appendices 1, 3 and 4 are not for publication as they contain exempt information of the description contained in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.

(i) Councillor Russell Goodway (Cabinet Member – Investment & Development) and Neil Hanratty (Director – Economic Development) will be in attendance to give a verbal update and answer Members' questions.

(ii) Questions from Committee Members

4 Way Forward 6.00 pm

5 Date of next meeting

Thursday 8 March 2018, 4.30 pm, Committee Room 4, County Hall,
Cardiff.

Davina Fiore

Director Governance & Legal Services

Date: Wednesday, 7 February 2018

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This document is available in Welsh / Mae'r ddogfen hon ar gael yn Gymraeg

CYNGOR CAERDYDD
CARDIFF COUNCIL

ECONOMY & CULTURE SCRUTINY COMMITTEE

13 FEBRUARY 2018

MULTI-PURPOSE INDOOR ARENA: PRE-DECISION SCRUTINY

Appendices 1, 3 and 4 are not for publication as they contain exempt information of the description contained in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.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 entitled 'Indoor Arena.' The full draft report is attached at **Appendix A** and has **5** appendices:
 - **Appendix 1** - Confidential – Financial Implications
 - **Appendix 2** - Motorpoint Arena Economic Impact Study
 - **Appendix 3** - Confidential – Indicative Cost Appraisal
 - **Appendix 4** - Confidential – Site Options Appraisal
 - **Appendix 5** – Site Plan
2. The Cabinet is to consider the report and its recommendations regarding the Indoor Arena at their meeting on 15 February 2018. At this committee meeting, Members will have the opportunity to hear from internal witnesses. Members will then be able to decide what comments, observations or recommendations they wish to pass on to the Cabinet.
3. Members should note that **Appendices 1, 3 and 4** of the report at **Appendix A** 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 and the Cardiff Undertaking for Councillors. Members will be able to ask questions regarding these appendices during closed session.

Scope of Scrutiny

4. The Cabinet is to consider a report and recommendations regarding the preferred location for the indoor arena project at their meeting on 15 February 2018. During this scrutiny, Members have the opportunity to explore:
 - i) Options Appraisals of potential sites;
 - ii) Rationale for preferred location;
 - iii) Whether there are any risks to the Council;
 - iv) The timeline and next steps for delivering the indoor arena project;
 - v) The recommendations to Cabinet.

Structure of the meeting

5. The meeting will be 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 1, 3 and 4** of the Cabinet report attached at **Appendix A**.
6. Members will hear from Councillor Russell Goodway (Cabinet Member – Investment and Development) and Neil Hanratty (Director of Economic Development). There will be a presentation taking Members through the proposals, 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 July 2017, the Council's new Administration set out a policy programme and associated delivery commitments entitled 'Capital Ambition' establishing the Cabinet's key priorities for the municipal term, and outlining a programme of action to continue to drive the city economy forward, whilst ensuring that all residents feel the benefits of success. This includes a commitment to:

'Prioritise the delivery of a new Multi-Purpose Indoor Arena in the best possible location to ensure it can attract premier national and international events.'

Issues identified in the Cabinet Report

Financing the arena

9. The Cabinet Report highlights, at **Point 10**, that the delivery of recent arena projects across the UK have required substantial financial contributions from the public sector, to cover the capital costs required for new build projects. Other arenas built in the UK in recent years have required public finance, which has come from national, regional or local government sources or through EU funding.
10. The Cabinet Report states, at **Point 11**, *'positive discussions have taken place with Welsh Government but as yet there is no firm commitment that will enable the project to proceed.'* The Cabinet Report goes on to state that *'the Council has decided to limit Cardiff's bid for regional funding through City Deal to the Metro Central project'*.
11. The Cabinet Report states, at **Point 18**, that *'It is the Council's intention to recycle funding currently invested through the Enterprise Zone's capital allocation to create a fund to support delivery of the indoor arena project.'* It is intended to explore the potential to maximise the potential for ancillary development in order to minimise the Council's contribution and to receive as much income as possible over time. This ancillary development could cover income from ancillary leases for retail/ food and beverages, as well as capitalisation of additional income streams for naming rights, sponsorships and car parking, for example.

Preferred Location

12. The Cabinet Report states that the site chosen must maximise the potential for ancillary development, in order that these can help to meet the costs of delivering the indoor arena. **Points 21 -26** of the Cabinet Report, attached at **Appendix A**, summarise the appraisals for the following sites:

- i) Cardiff Arms Park
- ii) Motorpoint Arena
- iii) Callaghan Square
- iv) Dumballs Road
- v) County Hall
- vi) Red Dragon Centre
- vii) Atlantic Wharf (combined County Hall and Red Dragon Centre¹).

13. The preferred site location is Atlantic Wharf and the rationale for this preference is provided at **Points 27- 34**, which highlight that this site:

- i) Would stimulate the next phase development of Cardiff Bay as a leisure destination.
- ii) Would increase demand and the business case for improved connectivity between the city centre and Cardiff Bay.
- iii) Has good access via the Peripheral Distributor Road and helps support the case for completion of the Eastern Bay Link.
- iv) Offers the greatest potential for leisure based development and ancillary development.
- v) Offers the best potential to establish a new leisure destination through the arena investment.
- vi) May require additional noise impact abatement, due to proximity to hotels and residential accommodation.
- vii) A proportion of the site is already in Council ownership and the remainder is in ownership of a UK pension fund keen to participate as a partner.
- viii) Does not require the relocation of the Council's County Hall offices but does require the surface car park to be released for development, with parking relocated to a consolidated multi-storey car park for the combined site.

¹ The Cabinet Report states that the Atlantic Wharf site would not require redevelopment of the County Hall building

Next Steps

14. The report to Cabinet, at **Point 35**, stresses the need to '*undertake feasibility work on the preferred location including detailed financial appraisal and due diligence*'. This work will be used to inform a further report to Cabinet seeking approval for a delivery strategy for the indoor arena project, including detailed financial implications and land acquisition required.
15. In order to undertake the work outlined above, the Council will appoint professional advisors; the cost of acquiring external financial advice will be funded from Reserves earmarked for regeneration projects.

Proposed Recommendations to Cabinet

16. The report to Cabinet contains the following recommendation:
- 'Cabinet is recommended to approve the preferred location for the indoor arena project as set out in this report and to delegate authority to the Director of Economic Development in consultation with the Cabinet Member for Investment and Development and the Section 151 Officer and the Monitoring Officer to:*
- i) Develop a detailed delivery strategy for the indoor arena project including detailed financial implications for the Council and to return to Cabinet for authority to proceed.*
 - ii) As part of (i) above, negotiate terms for the acquisition of land not currently in the Council ownership shaded red on the site plan attached at Appendix 5 and to return to Cabinet for authority to proceed to purchase the site.'*

Previous Scrutiny

17. This Committee undertook policy development scrutiny of the Multi-Purpose Indoor Arena proposals at their meeting on 5 October 2017. A copy of the Chair's letter is attached at **Appendix B**.
18. Overall, Members were supportive of proposals for a multi- purpose indoor arena, recognising the benefits that will accrue to the city region from increased footfall

and enhanced infrastructure. In the Chair's letter, attached at **Appendix B**, Members highlighted:

- I. 'Given the need to identify and secure c. £110 million, Members believe it would be sensible for officers to explore the range of funding options in case funding from the City Deal is not forthcoming.'*
- II. Members believe it is important that the business case for the multi-purpose indoor arena clearly detail the likely impact the arena will have on other venues in the city region. At our meeting, Members heard that the proposed capacity and specification for the arena means that it will complement the planned venues in Newport and Swansea. Members also heard that it may impact negatively on the Motorpoint Arena in Cardiff.'*
- III. Members are keen to be involved in further scrutiny of progress in delivering the arena, at appropriate stages. In particular, Members wish to scrutinise the following:*
 - a. the preferred location, including receiving details of the assessment of each potential site (covering cost, deliverability, regeneration potential, transport and infrastructure linkages etc.)*
 - b. the overall business case, including the economic assessment.'*

Way Forward

19. Councillor Russell Goodway (Cabinet Member – Investment and Development) will be invited to make a statement. Neil Hanratty (Director of Economic Development), will attend to give a presentation and answer Members' questions on the proposals for a multi-purpose indoor arena in Cardiff.
20. All Members are reminded of the need to maintain confidentiality with regard to the information provided in **Appendices 1, 3 and 4 of Appendix A**. The meeting will go into closed session to enable discussion of this information.

Legal Implications

21. 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

22. 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 15 February 2018; and
- iii) Decide the way forward for any future scrutiny of the issues discussed.

DAVINA FIORE

Director of Governance & Legal Services

9 February 2018

CABINET MEETING:

15 FEBRUARY 2018

INDOOR ARENA

REPORT OF DIRECTOR OF ECONOMIC DEVELOPMENT

AGENDA ITEM:

PORTFOLIO: INVESTMENT & DEVELOPMENT

Appendices 1, 3 and 4 are not for publication as they contain exempt information of the description contained in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.

Reason for this Report

1. To present the results of a site options appraisal exercise to identify the preferred location for delivery of the indoor arena project following the administration's recent announcement in their strategic policy statement *Capital Ambition* that delivery of a new indoor arena is one of two key strategic regeneration priorities for the city's core employment zone.
2. To seek authority to prepare a detailed delivery strategy based on the preferred location to include full financial implications for the Council and to report back to a future meeting of Cabinet for authority to proceed.

Background

3. Delivery of a new Multi-purpose Arena has been a long standing priority for the city. Since the turn of the millennium, a number of reports have been presented to successive Cabinets outlining the strategic importance of securing a 'top-tier' facility.
4. In 2013, the '*Rebuilding Momentum*' Green Paper consultation identified the lack of a 'top-tier' arena as a key weakness in the city's business and cultural offer. Since then the Council has included actions in its Corporate Plan to progress delivery of the project.
5. In September 2013 Cabinet agreed to a market testing exercise to help develop a specification for a new facility and to gauge private sector interest. In January 2014 a further report was presented to Cabinet

outlining the requirement for a flexible 15,000 capacity arena to enable Cardiff to compete at the top-tier alongside the O2 Arena in London, the Manchester Arena, the Birmingham Arena and the new SSE Hydro Arena in Glasgow. Cabinet underlined its commitment to the project and delegated authority to conclude all aspects of the procurement of a new arena, subject to securing a funding commitment from Welsh Government to cover the anticipated funding gap. However, the funding commitment has not as yet been secured and this has led the project to stall for a number of years.

6. In recent months, the project has gained renewed impetus through the announcement by the current administration in their strategic policy statement *Capital Ambition* that a new indoor arena remains a major priority for the city. In December, this was followed up by the launch of the Green Paper consultation '*More and Better Jobs*', which sets out a strategic vision for the long term growth and development of Cardiff's economy. Central to this is the delivery of a new indoor arena which is regarded as the primary infrastructure anchor in stimulating the next phase development of Cardiff Bay into a premier UK leisure destination.
7. The Welsh Government has also recently acknowledged the need for a new arena in Cardiff. On 17th June 2017, the Cabinet Secretary for the Economy and Transport stated in the Synedd that it is crucially important for Cardiff to have a bigger arena to attract more major events to the city and to Wales.
8. The recent momentum around the project has stimulated Live Nation, the owner and operator of Cardiff's current (Motorpoint) arena, to approach the Council to explore the potential to work in partnership to improve the city's offer. The Motorpoint arena was opened in 1993 and has a maximum capacity of 7,500. The venue has operated as a commercial success over this period, however, the emergence of new venues across the UK has meant that Cardiff now misses out on many of the UK's premium events. This results in an outward flow of economic activity, as local people need to travel to Birmingham and London to consume premium events, rather than an inward flow of economic activity, where Cardiff attracts visitors from surrounding areas to spend money in the local economy.

Issues

9. Over recent months Live Nation has commissioned work to explore the potential to expand their existing city centre venue. This work has proven that it is possible to utilise the existing structure of the Motorpoint Arena to increase the capacity to circa 10,000. However, to increase the capacity of the venue to a level that will enable it to compete at the top-tier of UK venues - circa 13,500 plus - will require a comprehensive new-build and the acquisition of an adjacent site. This effectively means that any potential financial benefit of utilising the existing arena site would be neutralised. It would also mean Live Nation being without a venue in the city for approximately 2 years whilst a new arena is constructed. Nonetheless, it provides a deliverable fallback option in An established

location that is already regarded as a leisure destination supported by substantial existing infrastructure.

10. Evidence from the delivery of recent arena projects across the UK confirms that new-build options will require a substantial financial contribution from the public sector. Over the years, the Council has explored the business case for an indoor arena, including detailed work by The Right Solution which has been presented in previous Cabinet reports. It is well understood that indoor arenas generally create an operating profit and do not require on-going operational subsidy. However, they are not sufficiently profitable to cover the substantial capital costs required for new-build projects. As such, all arenas built in the UK in recent years have received an element of public funding, either directly from local, regional or national governments or through EU funding. Even the O2 Arena in London, the most successful arena in the world, had an element of support through the original structure being funded through the millennium commission.
11. It is anticipated that a new arena project in Cardiff will require a public sector contribution. Since 2014, Council commitments to other key development projects, such as Central Square and the new Central Bus Station, has limited the potential for a contribution to be made directly by the Council. Positive discussions have taken place with Welsh Government but as yet there is no firm commitment that will enable the project to proceed.
12. Over the last year or so the Cardiff Capital Region City Deal has provided a potential opportunity to secure the required public sector contribution. However, following discussions with regional partners regarding regional priorities for City Deal, the Council has decided to limit Cardiff's bid for regional funding through City Deal to the 'Metro Central' project, given its inextricable link to the successful delivery of the South Wales Metro project.
13. Given the lack of an obvious public sector funding source, and in order to make progress, the current administration has reviewed the delivery model for the arena project and has subsequently entered into detailed negotiations with Welsh Government that should enable the Council to commit more of its own resources towards the project. A key part of this is the intention to work with the private sector to create additional value from ancillary development that will mitigate (over time) the amount of Council contribution required.

Strategic Value

14. The strategic case for a new arena in Cardiff has been well rehearsed and is widely accepted, particularly by the city's business community. The success of venues like the Principality Stadium, have helped Cardiff develop an international reputation as an event city, building the city's tourism performance, and stimulating development of the city's hospitality sector. A new arena has been identified by Cardiff's business community as the next important piece of city infrastructure to support local

economic growth: by attracting more events that will continue to raise the city's national and international profile; which in turn will help to attract new investment and talent to the city; and encourage existing investors and talent to remain anchored in the city.

15. The economic value of arenas is also well accepted. In 2015, Live Nation commissioned Cardiff Metropolitan University and Mandix to undertake an economic assessment of their existing facility (attached as Appendix 2). The research found that in over 21 years of operation, up to March 2015, the Motorpoint Arena had welcomed a total audience of nearly 9 million people, to 3,000 events. It stated that the economic impact on Cardiff and the surrounding area has been considerable:
- The economic value (GVA) from on-site activity is around £14.0m p.a.
 - About £10.0m is generated directly and sustains an estimated 160 jobs
 - A further £4.0m is generated along the supply chain and wage spending by employees – sustaining an estimated additional 50 jobs
 - In addition, around £30m is likely from off-site activity, resulting in a contribution to GVA of around £15m and employment effects of 300 jobs.
 - Consequently the total economic impact of Motorpoint Arena Cardiff is about £29.0m p.a. (GVA) and around 510 FTE (Full Time Equivalent) jobs, most of them in the Cardiff Capital Region.
 - The total depends crucially on the types of visitors and on the proportions from the rest of the UK and overseas. The evidence is that the average Cardiff Capital Region resident might spend £30 to £45 on local hospitality whereas an overseas visitor typically will spend over £300 a day.
 - Motorpoint Arena Cardiff estimate that 27% of their audience come from outside Cardiff. So, assuming that half stay overnight then 13.5% of the typical annual number of attendees (450,000) will spend £300 on off-site activities whilst 86.5% are local and spending £30.
 - Given the large volume of visitors Motorpoint Arena Cardiff has played a significant role in the development of Cardiff's hospitality infrastructure and continues to have a big impact on its hotels, restaurants and retail outlets as activity rises during the staging of well attended events.
16. The work by Cardiff Met and Mandix concluded that if the arena's capacity were to be raised in a customised, flexible facility the economic impact is likely to be much more than pro-rata.

Delivery

17. The traditional financial model for meeting this cost is based on the capitalisation of a lease from an operator, matched against a financial contribution from the public sector, broadly on a 50:50 ratio. In some cases, the scale of public sector contribution has been reduced through the capitalisation of additional income streams including naming rights income, sponsorship income, car parking income, and income from ancillary leases, e.g. retail/food & beverage. In recent years arena operators have also explored new innovative approaches including initiatives that generate a 'top slice' of income for public sector partners from ticket sales. The Council will need to explore all such opportunities to minimise its contribution, whilst being mindful not to compromise commercial viability for the operator.
18. It is the Council's intention to recycle funding currently invested through the Enterprise Zone capital allocation to create a fund to support delivery of the indoor arena project. Work to understand the full scale and profile of available funding will need to be undertaken before a final report can be presented back to Cabinet for authority to proceed with the project. The Council will also explore the potential to work with delivery partners to maximise the potential of ancillary development to minimise the Council's contribution and to recover as much as possible over time. The choice of site is therefore crucial to the delivery strategy in terms of maximising the potential for ancillary development.

City Strategy

19. The '*More and Better Jobs*' Green Paper consultation builds on the administration's *Capital Ambition* statement to provide a spatial economic strategy for the future development of the city. The strategy for the expansion of the city's core area is clearly defined: business-led mixed use development to expand the city centre south of the railway line, anchored by the redevelopment of Cardiff Central Station; and leisure-led mixed use development to propel Cardiff Bay into a leading UK visitor destination, anchored by a new Indoor Arena.
20. The strategy highlights the importance of promoting regeneration initiatives that help to deliver the city's wider infrastructure needs and aspirations. In particular, the development of Cardiff Bay as a leisure destination will increase demand for much improved connectivity between the city centre and Bay, boosting the business case for the proposed new light-rail Metro connection. The completion of the Eastern Bay Link is also critical to improving Cardiff's wider transport system by enabling more vehicle journeys to avoid the city centre. The Council has limited resources to invest in major infrastructure projects and therefore it is essential that any investment made by the Council in key regeneration projects (such as the arena) supports the case for other key priorities that need to be funded by external bodies.

Site Options Appraisal

21. In order to progress the project and to develop a detailed proposition for consideration by Cabinet, the Council now needs to undertake detailed financial appraisal and due diligence to understand the scale and nature of financial contribution required from the Council and to understand the extent to which this represents value for money. Work to understand the construction costs of an exemplar arena that meets the aspiration of both the Council and Live Nation has been undertaken and is attached as Confidential Appendix 3.

22. Given that the Council intends to mitigate its contribution through sharing value from ancillary development, there is now a need to undertake detailed site feasibility work to understand costs associated with site specifics, including site constraints and infrastructure requirements, and site specific opportunities relating to ancillary development. In order to do this work in a manageable and cost effective way, a preferred location needs to be agreed.

23. To that end, the Council has worked with Live Nation to review a number of potential sites in the city's core employment zone. ARUP and HOK, (assisted by CBRE) have been appointed to review a total of 7 sites which have either been brought to the Council's attention by developers/land owners or have been identified by the Council and Live Nation as having some potential to deliver an arena. The 7 sites considered were:

- A. Cardiff Arms Park
- B. Motorpoint Arena
- C. Callaghan Square
- D. Dumballs Road
- E. County Hall
- F. Red Dragon Centre
- G. Atlantic Wharf (combined County Hall & Red Dragon Centre)

The County Hall site (E) is considered on the basis that it would require a future decision by the Council to relocate out of the County Hall building to free the whole site up for redevelopment. The Atlantic Wharf site (G) which includes the County Hall site would not require redevelopment of the County Hall building.

24. The appraisal considers each of the above sites against the following key criteria:

City Strategy – considers the extent to which the location of the site supports the Council's city development strategy and delivery of other important city infrastructure;

Scale – considers the available space to accommodate an arena and the residual land available to create value through ancillary development;

Location – considers connectivity and context and importantly the potential for the arena to anchor a substantial leisure destination;

Technical – considers constraints and issues that may add significant extra costs to the project;

Deliverability – considers the Council's current level of control of the site and/or future potential to gain control of the site and any major impediments that may affect the delivery timescale of the project.

25. The detailed results of the appraisal are presented in the attached Confidential Appendix 4.

Appraisal Summary

26. All of the sites were considered to have the potential to accommodate a new indoor arena. Some are more constrained than others and would require alternative designs and/or additional expenditure to mitigate issues. Some are better positioned to support the Council's city development strategy both in terms of promoting the spatial strategy outlined in paragraph 19 above and the potential to support delivery of wider city infrastructure. The major differentiating factor between the sites however is the potential for an arena to anchor a large regeneration/destination place making initiative, and in doing so to provide opportunities for value creation through ancillary development. A brief summary of the evaluation for each site is provided below:
- A. Cardiff Arms Park – the site is considered to be constrained, particularly in terms of vehicular access, planning context and land ownership. Limited ancillary development potential compared to other sites and therefore limited potential to anchor a major leisure destination. Limited contribution towards the Council's city development strategy. Limited contribution towards the business case for key city infrastructure. Concerns regarding deliverability and timescales.
 - B. Motorpoint Arena – the site is considered deliverable and benefits from a mature existing leisure setting immediately adjacent to city centre facilities. Limited ancillary development potential compared to other sites and limited contribution towards the Council's city development strategy and key infrastructure aspirations. Strong fallback opportunity due to established long term use.
 - C. Callaghan Square – the shape and scale of the site constrains its potential. Some ancillary development potential albeit limited in terms of leisure 'destination' potential and some contribution towards the Council's city development strategy, mainly in terms of encouraging development south of the railway line. Good deliverability potential in terms of current public ownership of the site and vacant possession of key parts of the site.

- D. Dumballs Road – the site is considered to have ample scale, limited technical constraints and good existing connectivity. It offers some potential for ancillary development, albeit the existing residential-led plan for the site limits the potential to establish a vibrant leisure ‘destination’. Would deliver some contribution towards the Council’s city development strategy, mainly in terms of encouraging development south of the railway line. Good deliverability potential in terms of current public/private partnership ownership of the site and vacant possession of large parts of the site.
- E. County Hall – the site was considered as a stand-alone site from the Red Dragon Centre. However, without the development potential of the Red Dragon Centre site, this would require the current County Hall to be demolished. This in itself creates significant deliverability issues with the stand-alone County Hall site proposal. That said, if subsequent decisions were taken to relocate the Council’s HQ, the site is considered to have ample scale and some potential for ancillary development, albeit a limited potential to establish a vibrant leisure ‘destination’ in its own right. Reasonably close to existing leisure provision at Mermaid Quay and adjacent to an existing leisure facility at the Red Dragon Centre which has the potential for significant improvement. Strongly supports the city development strategy and would support the business case for other key infrastructure. The site has good existing connectivity, particularly by road. Some technical constraints in terms of immediate adjacency to residential properties. Land is in Council ownership but is currently being used, and even if a decision to relocate was made it would take at least 3 - 4 years before any start on site could be made.
- F. Red Dragon Centre – the site is very similar in scale and location to the County Hall site. It is considered to have good existing connectivity, particularly by road. Good separation from residential properties and better connected to the existing leisure destination at Mermaid Quay than the County Hall site. Offers some potential for ancillary development albeit some constraints relating to the existing development and current lease arrangements. Strongly supports the city development strategy and would support the business case for other key infrastructure. Land is in private ownership and currently operates as a good income generating going concern.
- G. Atlantic Wharf – the site constitutes the combination of the County Hall site and the Red Dragon Centre site in Cardiff Bay and has been identified as the preferred location. A summary of the rationale is provided below.

Preferred Location

27. The site options appraisal concludes that the Atlantic Wharf site in Cardiff Bay (illustrated in Appendix 5) represents the best all-round opportunity, and hence has been identified as the preferred location for a new indoor arena development in Cardiff.

28. City Strategy - the major strength of the Atlantic Wharf site is its ability to support delivery of the Council's city development strategy by stimulating the next phase development of Cardiff Bay as leisure destination. The potential development land around the arena, particularly if the whole site were to be redeveloped, offers the maximum opportunity to develop a new 'destination' place in the Bay, connecting directly in to existing facilities at the Oval Basin and Mermaid Quay.
29. The Atlantic Wharf site represent a nodal point in Cardiff Bay. The additional footfall delivered by an arena at this location will increase demand and the business case for improved connectivity between the city centre and the Bay.
30. Whilst the ambition will be to encourage as many visitors as possible to utilise public transport, some visitors will still need to arrive by car. The location of the site adjacent to the Peripheral Distributor Road provides good vehicular access to the facility, and will enable many visitors to avoid driving through the city centre. This also applies to the significant number of vehicles that are needed to service an arena. As such, Atlantic Wharf was also considered to be the site that offers the best potential to support the case for completion of the Eastern Bay Link.
31. Scale - the Atlantic Wharf site offers the greatest potential for leisure based development and at circa 30 acres has the potential to be up to 3 times bigger than any of the other sites considered. It therefore has the greatest potential for ancillary development to create value to minimise the Council's contribution.
32. Location – the Atlantic Wharf site offers the best potential to establish a new leisure destination through the arena investment. It is adjacent to existing leisure infrastructure in Cardiff Bay and offers the potential for contiguous expansion. Connectivity to the site is good, particularly by road, but also by public transport, but there is scope for both to be significantly improved through the arena development.
33. Technical – proximity to naturally ventilated hotel accommodation and potentially residential accommodation (depending on where the arena is ultimately situated on the site) may require additional noise impact abatement.
34. Deliverability – a proportion of the site is already in Council ownership and the remainder is in the ownership of a UK pension fund keen to participate as a partner. Around half of the total area of the site is currently undeveloped and set aside as surface car parking. The Council is also currently considering the future of its core office estate including the future of County Hall. The greatest opportunity on the combined Atlantic Wharf site would be realised if the Council takes a decision to relocate the existing County Hall offices. However, by combining the County Hall site with the Red Dragon Centre site there remains adequate scale for County Hall to remain in its current location if the Council subsequently decides against relocation. However, the surface car park would need to be released for development, with parking relocated into a

consolidated multi-storey car park for the combined site. In sum, the presence of the existing County Hall on the site does not limit the deliverability potential of an arena on the combined site, both in terms of the scale of site available for development or delivery timescales. It would however limit the potential for ancillary development, albeit the level of ancillary development achievable on the combined site would still be significantly greater than any of the other appraised sites.

Next Steps

35. In order to progress the project the Council now needs to undertake feasibility work on the preferred location including detailed financial appraisal and due diligence. This work will inform the development of a delivery strategy which will need to be presented back to Cabinet for consideration in the spring/summer of this year.
36. The feasibility work required includes:
 - Development of a concept scheme on the preferred location including identification of ancillary development opportunities and associated value creation/risk profile;
 - Development of a detailed specification for the new arena including detailed cost estimates for construction;
 - Identification of a preferred funding model including other income opportunities;
 - Confirmation of the operator contribution;
 - Confirmation of the Council contribution based on the scale of ancillary development that can be delivered on the site both with and without the relocation of County Hall.
37. The Council will appoint professional advisors to provide advice and to work with the Council's legal, financial, procurement and technical teams to develop the detailed delivery strategy.
38. A key next phase of work will also need to include the finalisation of terms for securing control of the area of land not currently in Council ownership. It is intended that these terms will form part of the delivery strategy reported back to Cabinet for approval.
39. Finally, it is also proposed to prepare a business case to enable a decision to be taken on the future of County Hall in line with the administration's Capital Ambition statement. Ideally a decision on the future of County Hall can be made either before or at the same time as Cabinet's consideration of the delivery strategy for a new arena, to provide greater certainty in regard to the development potential of the Atlantic Wharf site.

Reasons for Recommendation

40. To provide an update on the Indoor Arena project and to seek Cabinet approval for the proposed preferred location.

Legal Implications

41. The Council is required by its procedure rules for the acquisition of land to obtain the advice of a professional valuer at each stage. The intention is that due probity and accountability can be demonstrated and value for money achieved. The Council is similarly required to ensure value for money through a proper procurement process before entering into arrangements for the delivery of public works and services. State Aid is an issue to be considered in terms of potential benefits to commercial developers, contractors and operators.

Financial Implications

42. This is a key project for the Council with the potential for a significant financial contribution. This contribution is expected to be capital expenditure but further work is required to understand the extent and timing of this contribution, how it will be funded and the identification of the key risks and issues facing the Council. To get to this position where the Council is fully aware of its commitments and obligations in delivering an Arena will require external professional advice, particularly commercial and valuation advice, with an associated financial contribution. This advice will be incorporated into a delivery plan for the Arena that includes a full and robust financial commentary that will underpin the subsequent report to Cabinet where a decision on whether to proceed with the indoor Arena is expected to be taken.
43. An independent site options appraisal has been carried out by Arup & HOK which supports the basis of the recommendation included within this report to move forward with the preferred location for the indoor arena.
44. The subsequent Cabinet report will also cover any acquisition of land required to deliver the Arena. Any acquisition will be supported by valuation advice confirming that the acquisition represents value for money to the Council.
45. The cost of acquiring external financial advice will be funded from Reserves earmarked for regeneration projects.

RECOMMENDATION

Cabinet is recommended to approve the preferred location for the indoor arena project as set out in this report and to delegate authority to the Director of Economic Development in consultation with the Cabinet Member for Investment & Development and the Section 151 Officer and the Monitoring Officer to:

- (i) Develop a detailed delivery strategy for the indoor arena project including detailed financial implications for the Council and to return to Cabinet for authority to proceed.
- (ii) As part of (i) above, negotiate terms for the acquisition of land not currently in Council ownership shaded red on the site plan attached at Appendix 5 and to return to Cabinet for authority to proceed to purchase the site.

**NEIL HANRATTY
DIRECTOR OF ECONOMIC DEVELOPMENT**

Appendices

Confidential Appendix 1 – Indicative Public Sector Contribution Requirement

Appendix 2 – Motorpoint Arena Economic Impact Study

Confidential Appendix 3 – Indicative Cost Appraisal (to follow)

Confidential Appendix 4 – Site Options Appraisal

Appendix 5 – Site Plan

By virtue of paragraph(s) 14, 21 of Part(s) 4 and 5 of Schedule 12A of the Local Government Act 1972.

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IMPACT



**“OUTSTANDING PERFORMANCES
NOT TO BE MISSED”**

**MOTORPOINT ARENA CARDIFF
AN ECONOMIC ASSESSMENT**

prepared by
Cardiff Metropolitan University and Mandix

Page 23
March 2015



**SINCE OPENING IN SEPTEMBER 1993
MOTORPOINT ARENA CARDIFF HAS STAGED
PERFORMANCES BY MANY GLOBAL STARS.
OFTEN PERFORMANCES HAVE SOLD-OUT
AND, ON AVERAGE, MOTORPOINT ARENA
CARDIFF ATTRACTS AUDIENCES OF
AROUND 450,000 PEOPLE EACH YEAR AND
GENERATES ABOUT £20M IN TURNOVER.**

21 YEARS NINE MILLION PEOPLE 3,000 EVENTS

EXECUTIVE SUMMARY

In over 21 years Motorpoint Arena Cardiff has welcomed an audience of nearly 9 million people to 3,000 events. The economic impact on the Cardiff Capital Region has been considerable:

- The economic value (GVA) from on-site activity is around £14.0m p.a.
 - About £10.0m is generated directly and sustains an estimated 160 jobs
 - A further £4.0m is generated along the supply chain and wage spending by employees – sustaining an estimated additional 50 jobs
- In addition, around £30m is likely from off-site activity, resulting in a contribution to GVA of around £15m and employment effects of 300 jobs.

Consequently the total economic impact of Motorpoint Arena Cardiff is about £29.0m p.a. (GVA) and around 510 FTE (Full Time Equivalent) jobs, most of them in the Cardiff Capital Region.

The total depends crucially on the types of visitors and on the proportions from the rest of the UK and overseas. The evidence is that the average Cardiff Capital Region resident might spend £30 to £45 on local hospitality whereas an overseas visitor typically will spend over £300 a day.

Motorpoint Arena Cardiff estimate that 27% of their audience come from outside Cardiff. So, assuming that half stay overnight then 13.5% of the typical annual number of attendees (450,000) will spend £300 on off-site activities whilst 86.5% are local and spending £30.

Given the large volume of visitors Motorpoint Arena Cardiff has played a significant role in the development of Cardiff's hospitality infrastructure and continues to have a big impact on its hotels, restaurants and retail outlets as activity rises during the staging of well attended events.

A major economic impact is being achieved with Motorpoint Arena Cardiff that can host events involving audiences of up to 7,500. If this were to be raised significantly in a customised, flexible facility the economic impact is likely to be much more than pro-rata.

Not only would there be greater opportunities to use events to raise the international visibility of the Cardiff Capital Region but the strategic opportunity to establish a coherent pattern of major venues and events that are well connected by world class transport infrastructure that facilitates access for local people and visitors alike.

A major economic impact is being achieved with Motorpoint Arena Cardiff that can host events involving audiences of up to 7,500

INTRODUCTION

This report has been prepared by Professor Brian Morgan of Cardiff Metropolitan University and Don Snow, Partner in the Cardiff based mandix consultancy.

The purpose is to provide Live Nation UK with an independent, expert analysis of the economic impact of Motorpoint Arena Cardiff to coincide with their celebration of its 21 years of operation to September 2014 and hosting of its 3,000th event on 14th March 2015.

We have used proven economic techniques to assess the degree to which primary expenditure by the operators and by visitors has impacted the local economy. We have not included an assessment of the economic impact of the original construction programme prior to 1993.

However, we briefly discuss the potential for Motorpoint Arena Cardiff to help project and benefit from a value proposition towards attracting people and investors to Cardiff Capital Region in line with the recently published vision and economic strategy.

METHOD

In this report we have attempted to measure the total economic contribution of Motorpoint Arena Cardiff to the Cardiff Capital Region when both on-site and off-site expenditures are accounted for and the impact along the supply chain is also taken into account.

To measure the economic impact we have used the input-output multipliers for Wales (1) and the Tourism Satellite Accounts for Wales. Also, we have compared our analysis with other studies of the economic impact of major events in Wales such as the Welsh Ashes and the Ryder Cup.

It is important to capture supply chain impacts because, as one business expands in response to a demand stimulus it will generate further indirect and induced income and output effects on its suppliers and their employees – especially at the regional level – and these changes in supply will also impact employment.

In the context of an important visitor attraction like Motorpoint Arena Cardiff the main economic impact at the regional level comes from the additional spending off-site by people attending events and conferences at Motorpoint Arena Cardiff.

Because of the broad appeal of Motorpoint Arena Cardiff's events and the widely dispersed audience they attract it is necessary to distinguish between local (mostly Welsh) visitors and non-local visitors. In this sense the original place of residence of members of the audience has a significant impact on the amount of expenditure that is defrayed locally.



March 2015, Katherine Jenkins getting ready for the venue's 3,000th event.

The evidence suggests that overnight visitors to the capital spend over four times as much as local day visitors. Utilising earlier reports of major events and the input-output multipliers for Wales we have produced objective estimates of spending related to Motorpoint Arena Cardiff events that are in line with other impact studies.

Through desk research and detailed discussions with the managers at Motorpoint Arena Cardiff we have profiled Motorpoint Arena Cardiff events as the basis to estimate both the gross expenditure at each event and identify the leakages from the income stream that flow out of Wales. For example, it is necessary to recognise that a large but variable percentage of the gross amount paid to performers goes to tour organisers outside Wales.

A key element of the analysis underpinning this report has been to identify the direct, indirect and induced benefits of its operation in terms of their contributions to the local economy. It is the net expenditure remaining in the Cardiff Capital Region that benefits the economy.

Consistent with good practice in economic impact assessments, the results of desk research and analysis are reported using the Key Performance Indicators (KPIs) of GVA (Gross Value Added) and Full Time Equivalent (FTE) jobs.

In addition to primary data provided by Motorpoint Arena Cardiff we have referenced documentation that has enabled benchmarking of its economic performance against published data for other major entertainment and sports venues in the Cardiff Capital Region and the UK.

Qualitative as well as quantitative analysis has been used to develop data that provides reasonable estimates of the direct and indirect benefits arising at the local (Cardiff City Region) level. Initial profiling of the venue is in terms of its capital and revenue aspects and the related staging of events.

2.1 Quantitative Analysis

Outputs include the amount of expenditure in the local economy as well as the number of jobs created in the local economy as a result of supply chain linkages and sourcing.

The primary data provided by Motorpoint Arena Cardiff has been analysed using robust analytical tools to derive the outputs. These identify economic benefits in terms of expenditures (£s), employment (gross and FTE); and contribution to GDP / GVA (£s)

2.2 Qualitative Analysis

Qualitative information is focused on validating the assumptions made to derive:

- the impact of Motorpoint Arena Cardiff on the local and Welsh economies in terms of the supply chains and sourcing options pertaining to both capital and revenue expenditures:
- the impact of Motorpoint Arena Cardiff on other characteristics of the local and Welsh economies.

The profile of Motorpoint Arena Cardiff provides information and data concerning:

- 1) visitor numbers, the split between local visitors, UK and overseas visitors. Key categories of expenditure and broad data on profit.
- 2) broad information about expenditures with suppliers of goods and services in relation to both capital and revenue expenditures.
- 3) broad information about the timing of expenditures on goods and services and the locations of suppliers.

EXPENDITURES PROFILE

Since the opening concert by Shirley Bassey on 10 September 1993, Motorpoint Arena Cardiff has staged performances by many other global stars including Take That, Celine Dion, Kylie Minogue, Girls Aloud, Beyonce, Rihanna, Katy Perry, Iron Maiden, Lady Gaga and One Direction.

Initially called the Cardiff International Arena and Convention Centre, the venue was renamed the Cardiff International Arena from 2000 and since 1st March 2011 has been called Motorpoint Arena Cardiff after the eponymous car sales company with a branch in Newport acquired the naming rights for the ensuing five years.

The main arena offers 4,500 square metres of exhibition space. It can accommodate 7,500 people when laid out for standing and 5,000 people for a fully seated event. There are 30 additional areas, including a conference suite that can accommodate groups of up to 460, and 4 executive boardrooms.

In addition to live music and comedy shows Motorpoint Arena Cardiff hosts major boxing and snooker events and premier league darts. It has accommodated high profile banquets, conferences and exhibitions in the main arena and smaller events in other function rooms. These events include meetings, smaller conferences and exhibitions, weddings and parties.

Performances have often been sell-outs and on average they generate around £20m in turnover p.a. and attract audiences of around 450 thousand people each year.

In 21 years of operation Motorpoint Arena Cardiff has welcomed through its doors an audience of nearly 9 million people. On Saturday March 14th it welcomed Katherine Jenkins as the star of its 3,000th event.

As the figures below confirm, over the last ten years Motorpoint Arena Cardiff has generated around £200m in turnover and attracted audience numbers of nearly 4.5m.

These figures have been analysed in a research report undertaken by Cardiff Metropolitan University and the Mandix consultancy. The study was commissioned to coincide with Motorpoint Arena Cardiff's 3,000th event and is focused on assessing the economic impact of the Motorpoint Arena Cardiff on the Cardiff City Region.

	2005	2006	2007	2008	2009	
Number of Events	138	117	147	133	163	
Annual turnover	£19,100,000	£18,309,000	£21,660,000	£18,980,000	£19,814,000	
Operational expenditure	£4,022,000	£3,831,000	£4,335,000	£4,016,000	£4,076,000	
Capital expenditure	£102,000	£187,000	£68,000	£25,000	£40,000	
Exhibitor expenditure	£412,000	£285,000	£643,000	£481,000	£562,000	
Audience numbers	406,000	326,000	451,000	389,000	402,000	
Delegate numbers	41,000	24,000	64,000	43,000	45,000	

This versatility generates a varying requirement for different categories of staff to provide the management, security, catering and stewarding as well as medical services and merchandising the venue requires in welcoming up to 500,000 people through its doors every year – enough for capacity crowds at more than six rugby internationals at the Wales Millennium Stadium.

The economic benefit of the original £25m construction project (1993 prices) has not been included in the analysis of the ongoing impact of the operational facility whilst average capital expenditure at £140,000 p.a. (current prices) makes up a small part of supply chain expenditure.

Important is the total annual income from ticket sales and entrance payments. In 2014 this was £16.3m from 497,000 people. 425,000 tickets were sold in connection with 99 shows whilst 72,000 people attended 44 other non-ticketed events. On average 4,292 people attended each show and paid an average ticket price of £32.

Motorpoint Arena Cardiff estimates that 73% of attendees were local, 26% from the rest of the UK and 1% from abroad. The implication is that from a total of 497,000 attending ticketed and non-ticketed shows/events 362,810 originated in the Cardiff City Region whilst 129,220 arrive from other parts of Wales and the UK and 4,970 from abroad.

Headline financial statistics provided by Motorpoint Arena Cardiff are that, during 2014, gross annual turnover was £22.2m with £16.3m spent on tickets and £5.9m in the venue. In addition a further £520,000 was spent by touring productions with local crew companies and an estimated £2m per annum is spent by touring productions on factors such as:

- Equipment hired from local suppliers
- Hotel nights and associated spends
- Tour catering from local suppliers
- Travel, fuel and ancillaries

Motorpoint Arena Cardiff estimates that of an annual turnover of £22.2m about £12.15m leaks out into the wider UK economy and beyond. This leaves about £10m in the Cardiff City Region.

Other commercial information supplied by Motorpoint Arena Cardiff points to the fact that they spend over £3.0m per annum with suppliers with 68% going to local companies who are paid within 30 days. This includes pay for 160 non-venue, but event related, staff who have regular show and event work. The venue itself employs 22 full time staff, and a further 250 casual staff who work mostly on the events.

	2010	2011	2012	2013	2014	TOTAL
	143	140	142	128	143	1394
	£17,556,000	£22,012,000	£20,085,000	£17,754,000	£22,200,000	£197,470,000
	£3,758,000	£4,000,000	£3,784,000	£3,896,000	£4,100,000	£39,818,000
	£150,000	£242,000	£96,000	£131,000	£141,000	£1,182,000
	£508,000	£326,000	£228,000	£353,788	£423,000	£4,221,788
	358,000	443,000	414,000	361,000	425,000	3,975,000
	68,000	37,000	17,500	50,000	72,000	461,500



TICKET SALES
8,500
OVER 2 DATES



KYLIE 2011

In 2011, Motorpoint Arena Cardiff hosted 2 dates of one of the biggest and most extravagant international tours of that year. Kylie Minogue has long been renowned for her spectacular stage shows and productions and the Aphrodite les Folies tour really pushed the adaptability of Motorpoint Arena Cardiff.

The production involved an enormous water feature as part of the floor plan, requiring the use of 42 thousand litres of water in total. The logistics required were exceptional in order to get the show built with a total of 27 Trucks employed in the transportation along with, 3 Tour Buses, 6 locally hired Fork trucks and 2 Cherry Pickers.

On top of plant and transportation the show employed 80 local crew to build the stage, and the touring party of over 120 people stayed in local hotels for 3 nights.

Other costs to the promoter were more typical and included towels, drapes, extra staging/AV cables, medical cover and off-site parking. All of these were locally sourced by the Venue.

With ticket sales of nearly 8,500 over the 2 dates Motorpoint Arena Cardiff employed upwards of 150 local casual stewards and bar staff, as well as 70 locally employed Showsec Security staff.

Kylie Minogue image
©Jenny Potter 2011

THE HEADLINE STATISTICS WE HAVE IDENTIFIED FOR THE PURPOSES OF ASSESSING ITS ECONOMIC IMPACT IS THAT MOTORPOINT ARENA CARDIFF GENERATES AROUND £22M IN TURNOVER AND ATTRACTS AROUND 500 THOUSAND PEOPLE EACH YEAR.

ECONOMIC IMPACT

We estimate that such a level of activity would directly and indirectly add about £14m to the Welsh economy each year, mostly within the Cardiff Capital Region:

- This is made up of around £10.0m of the economic benefit being generated directly by Motorpoint Arena Cardiff after leakages in expenditure are taken into account. This on-site expenditure sustains an estimated 162 jobs.
- Through the supply chain and wage spending by employees – an additional £4.0m is estimated to be generated – sustaining an additional 50 jobs, most of them in the Cardiff region.
- So as well as having an impact in terms of income generation we estimate that a total of 212 FTE jobs are created or safeguarded by the operation of Motorpoint Arena Cardiff, and of these about 150 of them are in Cardiff.
- In addition to on-site activity, Motorpoint Arena Cardiff's attractions bring a large number of visitors to Cardiff. Around 27% of these visitors come from outside the Cardiff Capital Region and roughly half of these staying overnight. Through this off-site expenditure in hotels and restaurants, a further outlay of £30m is estimated to come from off-site activity, in the city's hospitality venues. This generates a contribution to GVA of around £15m and employment effects of 300 jobs.

In this way Motorpoint Arena Cardiff directly generates employment for around 160 people and it is estimated that induced expenditure through the supply chain supports a further 50 full-time jobs. However, the biggest impact is the spill-over effect of visitor spending which sustains a further 300 jobs. So, in total the regional impact is to create about 510 jobs, with most of those being generated in the City Region.

It is clear that the annual volume of attendees has a big impact on the city's hotels and restaurants – many of whom enjoy increased activity during the staging of events. This analysis indicates that the direct economic value created by Motorpoint Arena Cardiff at £10m has significant spill-over effects in terms of both spending and job creation. This spill-over benefit is the indirect result of Motorpoint Arena Cardiff being the main focus of these visits to the capital city. Much of the value added to the economy is generated as a result of spending by visitors from outside the Cardiff Capital Region, with an interesting sub-set of these being international visitors.

It is certainly the case that, as a result of Motorpoint Arena Cardiff's activities in terms of events, performances and conferences, there are significantly more meetings in Cardiff and more expenditure on related activities. Wherever possible these expenditure effects have to be separated into those related to on-site activity in Motorpoint Arena Cardiff and those off-site spending by the audience in local commercial outlets.

Having identified the audience numbers to Motorpoint Arena Cardiff over the last ten years we then estimated the total regional expenditure associated with these performances and then calculated the direct, indirect and induced expenditure related to these events. An important aspect of the study was to estimate the proportion of visitors to each event according to their original place of residence and then assess the net expenditure patterns associated with different visitor categories. This is not a simple task because of displacement effects and the various different ways in which the hospitality sector responds to an increase in demand. For example, hotels can respond by employing more staff or inviting existing staff to work longer hours. We have also sought to avoid double counting by eliminating receipts that flow out of the region. Thus we have not included:

- purchases inside Motorpoint Arena Cardiff because these are accounted for in the revenue streams reported by Motorpoint Arena Cardiff.
- travelling costs for local or non-local visitors because much of this expenditure will flow directly out of Wales to coach and train operators.

In this way we have accounted for leakages and displacement effects and produced clear estimates of the net additional expenditure that visitors to Motorpoint Arena Cardiff events generate within the Cardiff Capital Region. And because of the possibility for wide margins for error in these calculations, we have erred on the side of caution in these estimates.

Although the impact of the off-site spending is marginally more important and is perhaps the most noticeable, it must be emphasised that the on-site impact of Motorpoint Arena Cardiff itself through its own wage payments to employees and the purchase of local goods and services, also significantly impacts the economy. The underlying methodology on the economic impact of both on-site and off-site expenditure is summarised in the Annex.

As a result of Motorpoint Arena Cardiff's activities in terms of events, performances and conferences, there are significantly more meetings in Cardiff and more expenditure on related activities.



Tom Jones image
© Jenny Potter 2009

STRATEGIC IMPACT

In order to assess the strategic impact of Motorpoint Arena Cardiff we have considered the context provided by the recently published vision and economic strategy for the Cardiff Capital Region.

We conclude that Motorpoint Arena Cardiff and its operations have the potential to help project (and benefit from) a value proposition towards attracting investors as well as visitors.

Whilst one-off major events in a region (like the Ryder Cup) can have significant impact it is also the case that investment in a major venue opens up the opportunity for repeated events and serial direct, indirect and induced economic benefits. This encourages investment in sustainable supply chains and the growth of local supplier businesses.

The probability of commercial success will be enhanced by the capacity of the venue to maximise attendances and ticket value. The inference is that, other things being equal, a larger venue with more flexible spaces will achieve a better commercial performance and have a better economic impact.

Motorpoint Arena Cardiff has the capacity to host events with an audience up to 7,500 and some events and performances help to engage global audiences with the Cardiff City Region and enhance its appeal as a tourism venue, place to live and investment location.

The venue plays a key part in the current tourism offering that in the context of the vision for Cardiff City Region provides a platform for strategic impact as part of a cluster of major venues and events.

In this context, if a new building was proposed, Live Nation UK's position as the current provider in the city region, with its already existing partnership with Ticketmaster, its operational efficiencies, and its diary management which secures and attracts acts to the city region, would play a major role in ensuring a venue of this size would be a success.

Ticketmaster is the leading global ticket provider and is a member of the Live Nation UK family. Ticketmaster gives weight and exposure to artists with greater access to customers. In essence, this allows anyone in the world to visit Cardiff for an event.

Also, the clustering of venues and visitor attractions can be expected to have a greater than pro rata effect as they would tend to reinforce the UK and international visibility of the Cardiff Capital Region.

Investors in the regional hospitality infrastructure and creative industries would gain confidence – particularly if successful visitor attractions located on transport nodes and simultaneously supported the development of the creative industries sector in the Cardiff City Region.

In this regard we note the recent announcement of a Great Western Cities campaign by the Cardiff, Newport and Bristol city authorities alongside the comparative lack of major entertainment venues in Newport and Bristol.

The probability of commercial success will be enhanced by the capacity of the venue to maximise attendances and ticket value.



OUR CONCLUSION IS THAT CO-ORDINATION OF THE EMERGING CARDIFF CAPITAL REGION'S MARKETING SHOULD ENSURE THE INCLUSION OF MOTORPOINT ARENA CARDIFF WITH THAT OF OTHER MAJOR SPORTS AND ENTERTAINMENT VENUES. THIS PROMOTES FOR EXAMPLE, THE POTENTIAL FOR FUTURE ECONOMIC BENEFITS PARTICULARLY IN THE CONTEXT OF PROPOSALS TO ELECTRIFY THE MAIN RAILWAY LINKAGES AND CREATE A METRO FOR THE CARDIFF CAPITAL REGION.

ANNEX ONE

The total economic impact was analysed using a 22 sector Input Output table of multipliers and these have been summarised and aggregated into the 5 sectors in **Table 1** and then converted into expenditure estimates in **Table 2** for on-site activities. A similar set of tables was developed for the employment impact from on-site activities. The total impact from the activities generated on-site at Motorpoint Arena Cardiff is then summarised in **Table 3**.

Table 3 shows the additional income and employment that will be generated on average in the (broadly defined) Cardiff area from an initial £9.8 million of expenditure. The multiplier process will initially generate an additional £2.1 million increase in income which will induce further expenditure. Not all of this expenditure and related income will remain in the regional economy but the input-output model and tables give an indication of the leakages that are likely to take place. When the total multiplier effect is added to the initial expenditure this gives a total increase in expenditure of £4.08 million from both indirect and induced effects leading to a total GVA impact from on-site activities of £13.88m.

Similarly the employment impact can be assessed. The multiplier process will initially generate an additional 27 jobs which have further impacts along the supply chain which will induce further expenditure and eventually the additional jobs in terms of direct and induced expenditures will increase by a further 50 FTEs. So from the 162 direct jobs created by Motorpoint Arena Cardiff activities the final impact rises to an estimated 212 FTEs in the Cardiff Capital Region.

The same methodology was then applied to estimate the total economic impact of the off-site expenditure in hospitality venues across the city. This expenditure leads to a further contribution of £15 million to GVA and 300 jobs.

Table 1
Expenditure Multipliers

5 Sector Breakdown	Initial	First round	Indirect	Induced	Total
Manufacturing, energy and others		0.0440	0.0105	0.0217	0.0763
Distribution and retail	0.0138	0.0028	0.0378	0.0543
Hotels, restaurants, venues	£9.80	0.1005	0.0350	0.0220	0.1575
Transport and other private services		0.0504	0.0305	0.0246	0.1055
Recreation and other public services		0.0054	0.0034	0.0138	0.0226
Total		£0.21	£0.08	£0.12	£0.42

Table 2
Estimated Expenditure

5 Sector Breakdown	Initial	First round	Indirect	Induced	Total
Manufacturing, energy and others		£0.43	£0.10	£0.21	£0.75
Distribution and retail	£0.13	£0.03	£0.37	£0.53
Hotels, restaurants, venues	£9.80	£0.98	£0.34	£0.22	£11.34
Transport and other private services		£0.49	£0.30	£0.24	£1.03
Recreation and other public services		£0.05	£0.03	£0.13	£0.22
Total		£2.10	£0.81	£1.17	£13.88

Table 3
Multiplier Effects:
£9.8 million of Expenditure

	Initial	First round	Indirect	Induced	Total
Increase in Expenditure	£9.80m	£2.10m	£0.81m	£0.17m	£13.88m
Increase in Jobs (FTEs)	162	26.9	6.5	16.7	212

IMPACT

By virtue of paragraph(s) 14, 21 of Part(s) 4 and 5 of Schedule 12A of the Local Government Act 1972.

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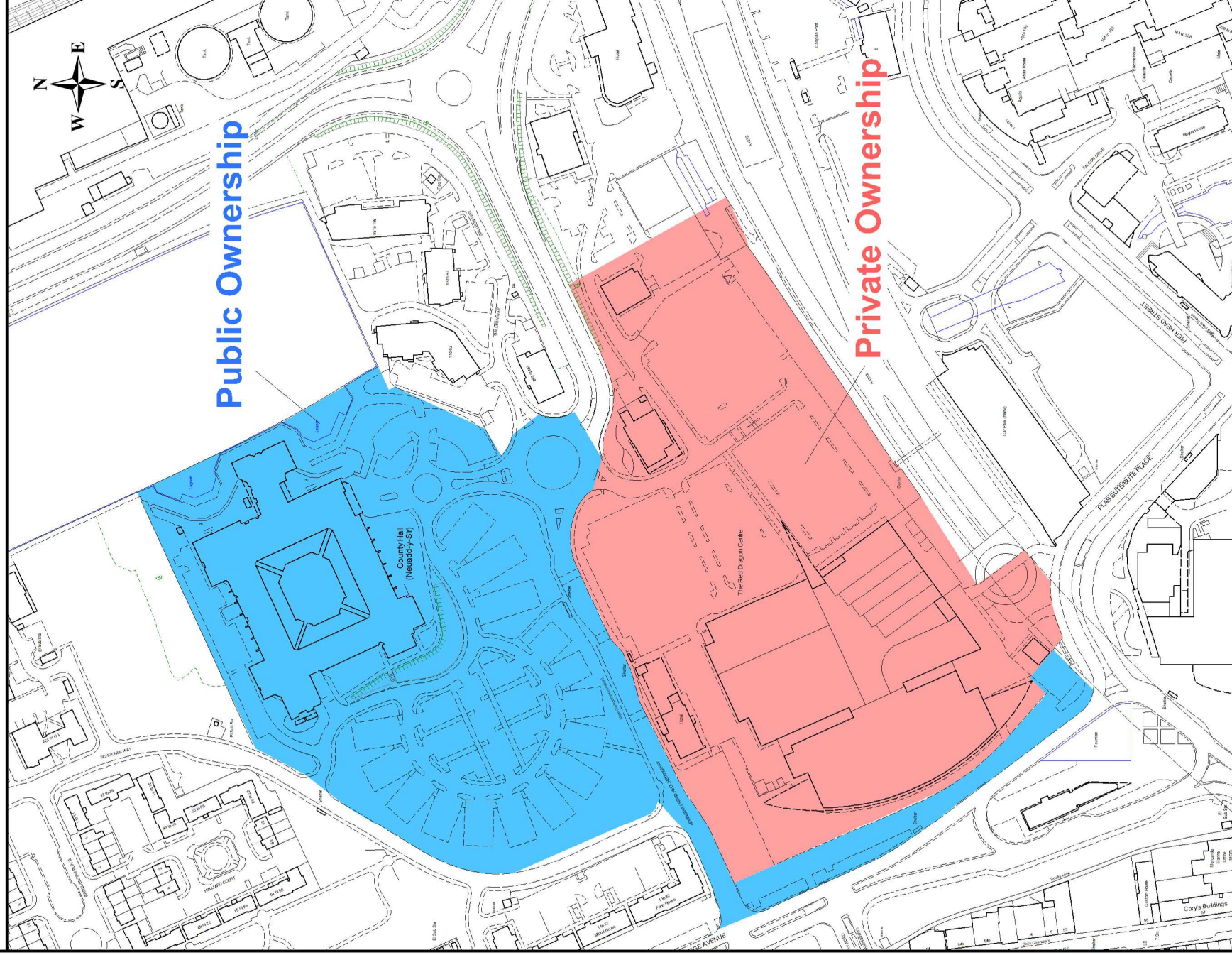
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Combined County Hall and Red Dragon Centre



Public Ownership

Private Ownership

Rev No.

Drawn by
02/02/2018

Scale
1:3080

Date
03/01/2018

File Pathname / Project / Drawing No.
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Date: 6 October 2017

Councillor Russell Goodway
Cabinet Member, Investment and Development
Cardiff Council,
County Hall
Cardiff
CF10 4UW

Dear Councillor Goodway,

Economy & Culture and Environmental Scrutiny Committee: 5 October 2017

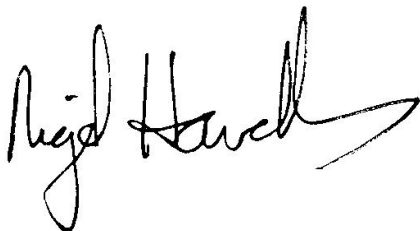
On behalf of Members of the Economy & Culture Scrutiny Committee, please accept our thanks for attending our meeting to discuss progress on delivering a multi-purpose indoor arena in Cardiff. Members found your presentation very helpful in illustrating the potential scale and function of the arena and in considering the various possible locations for the arena. Members have asked that I pass on the following comments and observations from their discussion at the Way Forward.

- Members are supportive of the proposal for a multi-purpose indoor arena, recognising the benefits that will accrue to the city region from increased footfall and enhanced infrastructure.
- Given the need to identify and secure c. £110 million, Members believe it would be sensible for officers to explore the range of funding options in case funding from the City Deal is not forthcoming.
- Members believe it is important that the business case for the multi-purpose indoor arena clearly detail the likely impact the arena will have on other venues in the city region. At our meeting, Members heard that the proposed capacity and specification for the arena means that it will complement the planned venues in Newport and Swansea. Members also heard that it may impact negatively on the Motorpoint Arena in Cardiff.

- Members are keen to be involved in further scrutiny of progress in delivering the arena, at appropriate stages. In particular, Members wish to scrutinise the following:
 - the preferred location, including receiving details of the assessment of each potential site (*covering cost, deliverability, regeneration potential, transport and infrastructure linkages etc.*)
 - the overall business case, including the economic assessment.
- Members were interested in your reference to Professor Philip Cooke's report, which put forward a vision for how Cardiff could use the competitiveness approach to develop. I understand South Glamorgan County Council commissioned this report in the 1990's. Members would welcome having sight of a copy of the report, if possible.

Overall, Members are supportive of proposals for a multi-purpose indoor arena and wish you well with your endeavours to deliver this. We look forward to scrutinising refined proposals at an appropriate point and ask that officers liaise with scrutiny officers to arrange this.

Yours sincerely,



COUNCILLOR NIGEL HOWELLS
CHAIR, ECONOMY & CULTURE SCRUTINY COMMITTEE

cc Members of the Economy & Culture Scrutiny Committee
Neil Hanratty
Clair James
Cabinet Support Office