

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*Appendices 1, 3 and 4 are not for publication as they contain exempt information of the description contained in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.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

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.

---

<sup>1</sup> 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**