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**MULTI-PURPOSE INDOOR ARENA DELIVERY STRATEGY: PRE-DECISION  
SCRUTINY**

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*Appendices 2, 3, 4, 5 and 6 of the Cabinet Report (Appendix A) are not for publication as they contain exempt information of the description contained in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.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 scrutiny of the draft report to Cabinet regarding the Multi-Purpose Indoor Arena Delivery Strategy, which is due to be considered by Cabinet at their meeting on 11 July 2019. The full draft report is **to follow**, as **Appendix A**, and has **six** appendices.
2. Members should note that **Appendices 2, 3, 4, 5 and 6** 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 and the Cardiff Undertaking for Councillors.

**Scope of Scrutiny**

3. At their meeting on 11 July 2019, the Cabinet will consider a report that outlines the proposed delivery strategy for the Indoor Arena and seeks cabinet approval for the next steps to be taken to procure a delivery partner.
4. During this scrutiny, Members have the opportunity to explore:
  - i) The proposed approach for the delivery of the Indoor Arena;
  - ii) Whether there are any risks to the Council;
  - iii) The timeline and next steps for delivering the indoor arena project;
  - iv) 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, 3, 4, 5 and 6**.
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 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 July 2017, the Council's new Administration set out a policy programme and associated delivery commitments entitled 'Capital Ambition', which included 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.'*
9. At their meeting on **15 February 2018**, Cabinet resolved that:  
*'the preferred location for the indoor arena project as set out in this report be approved and authority be delegated 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.*

10. The preferred site is the Red Dragon Centre and, since February 2018, officers have been working with the British Airways Pension Fund, which is the landowner of the Red Dragon Centre, and their development partner, the Reef Group, to develop a delivery plan.
11. At their meeting on **15 November 2018**, the Cabinet resolved to meet the Council's due diligence costs and to underwrite the design and pre-development costs incurred by the Developer and Landowner '*as estimated in Confidential Appendix 4 ...in accordance with the financial cap and processes also outlined in Confidential Appendix 4*'. Cabinet also resolved that '*authority be delegated to the Director of Economic Development in consultation with the Cabinet Member for Investment and Development and the Section 151 Officer to deal with all aspects of the procurement of independent advisors as set out in Confidential Appendix 4*' and to explore the best financial approach to deliver the project.

### **Previous Scrutiny**

12. This Committee undertook policy development scrutiny of the Multi-Purpose Indoor Arena proposals at their meeting on **5 October 2017**. 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 following this meeting, Members highlighted:
- i. It would be sensible to explore a range of funding options, given the need to identify and secure c. £110 million;
  - ii. The business case for the indoor arena should clearly detail the likely impact the arena will have on other venues in the city region.
13. At their Committee meeting on **13 February 2018**, Members scrutinised the report to Cabinet regarding the preferred location for the multi- purpose indoor arena,

namely Atlantic Wharf. In the Chair's letter following this meeting, Members highlighted<sup>1</sup>:

- i) Members' initial support for the preferred location, subject to future consideration of additional information that will emerge from the overall business case and financial implications;
- ii) The need for the arena proposals to include high quality, reliable and affordable public transport to avoid adding to congestion in Cardiff;
- iii) Members wish to undertake further scrutiny of the delivery strategy, including the financial implications for the Council.

14. The report to Cabinet also highlighted 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. The Cabinet Report stated 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 also stated that 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.

15. As well as sending a public letter, the Chair, Councillor Nigel Howells, sent a confidential letter to Councillor Russell Goodway, dated 14 February 2018, capturing the Committee's thoughts regarding the confidential information considered at the meeting. A copy of this letter was shared with Committee Members, who are reminded of the need to keep the contents of the letter confidential.

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<sup>1</sup> Public Letter from Councillor Howells, Chair Economy & Culture Scrutiny Committee, to Councillor Goodway, Cabinet Member – Investment & Development, dated 14 February 2018.

16. At their Committee meeting on **8 November 2018**, Members scrutinised the report to Cabinet regarding the next steps in delivering the indoor arena. In the Chair's letter following this meeting, Members highlighted<sup>2</sup>:

- i) Their support for the recommendations to Cabinet;
- ii) That Members wish to be kept abreast of proposals for the Motorpoint site;
- iii) That costs for design, pre-development work and independent consultants to undertake verification checks are necessary and appropriate;
- iv) Members would like to receive evidence of market testing to demonstrate the indoor arena development is able to hold its own against competitors.

17. As well as sending a public letter, the Chair, Councillor Nigel Howells, sent a confidential letter to Councillor Russell Goodway, dated 9 November 2018, capturing the Committee's thoughts regarding the confidential information considered at the meeting. A copy of this letter was shared with Committee Members, who are reminded of the need to keep the contents of the letter confidential.

## **Way Forward**

18. 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.

19. All Members are reminded of the need to maintain confidentiality with regard to the information provided in **Appendices 2, 3, 4, 5 and 6**. Members will be invited to agree the meeting go into closed session to enable discussion of this information.

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<sup>2</sup> Public Letter from Councillor Howells, Chair Economy & Culture Scrutiny Committee, to Councillor Goodway, Cabinet Member – Investment & Development, dated 9 November 2018

## **Legal Implications**

20. 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**

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 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 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 11 July 2019; and
- iii) Decide the way forward for any future scrutiny of the issues discussed.

**DAVINA FIORE**

**Director of Governance & Legal Services**

**28 June 2019**