

MULTI-PURPOSE INDOOR ARENA: PRE-DECISION SCRUTINY

Appendices 1, 2, 3, 4 and 5 of the Cabinet Report are not for publication as they contain exempt information of the description contained in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.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 regarding the Multi-Purpose Indoor Arena, which is due to be considered by Cabinet at their meeting on 15 November 2018.
2. Members should note that **Appendices 1, 2, 3, 4 and 5** 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 15 November 2018, the Cabinet will consider a report that outlines the approach for the delivery of the Indoor Arena and seeks cabinet approval for the initial costs.
4. During this scrutiny, Members have the opportunity to explore:
 - i) The proposed approach for the delivery of the Indoor Arena;
 - ii) The proposals re initial costs;
 - 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 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 1, 2, 3, 4 and 5**.
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' 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.'

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, 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. The report to Cabinet outlines the approach for the delivery of the Indoor Arena and seeks cabinet approval for the initial costs.

Previous Scrutiny

11. 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 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.'*

12. At their Committee meeting on **13 February 2018**, Members scrutinised a report to Cabinet regarding the preferred location for the multi- purpose indoor arena. The full report is available at:

<http://cardiff.moderngov.co.uk/ieListDocuments.aspx?CId=151&MId=3081&LLL=0>

13. That report highlighted, 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.

14. The Cabinet Report stated, 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 went on to state that *'the Council has decided to limit Cardiff's bid for regional funding through City Deal to the Metro Central project'*.

15. The Cabinet Report stated, 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 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.

16. The Cabinet Report set out the rationale for the preferred site location of Atlantic Wharf, provided at points 27-34, which highlighted 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.

17. The report to Cabinet, at Point 35, stressed the need to '*undertake feasibility work on the preferred location including detailed financial appraisal and due diligence*'. In order to undertake the work outlined above, the Council would appoint professional advisors; the cost of acquiring external financial advice will be funded from Reserves earmarked for regeneration projects.

18. Following their scrutiny, the Chair, Councillor Nigel Howells, wrote to Councillor Russell Goodway, Cabinet Member- Investment & Development, stating¹:

- i) '*Based on the evidence received, at this stage Members support the recommendation to Cabinet regarding the preferred location. This support is subject to future consideration of the additional information, which will come through regarding financial implications and the overall business case.*'
- ii) '*Members wish to emphasise the need for high quality, reliable and affordable public transport to encourage the additional visitors to*

¹ Extracts taken from the Public Letter from Councillor Howells, Chair Economy & Culture Scrutiny Committee, to Councillor Goodway, Cabinet Member – Investment & Development, dated 14 February 2018.

Cardiff to use sustainable transport and to avoid adding to the congestion in Cardiff.'

- iii) *'The preferred location of Atlantic Wharf has obvious scope for ancillary development that complements the desire to stimulate the next phase of development of Cardiff Bay as a leisure destination.'*
- iv) *'Members wish to undertake further pre-decision scrutiny of the detailed delivery strategy for the indoor arena, including the detailed financial implications for the Council and, as part of this, any acquisition of land not currently in Council ownership.'*

19. 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.

Way Forward

20. 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.

21. All Members are reminded of the need to maintain confidentiality with regard to the information provided in **Appendices 1, 2, 3, 4 and 5**. Members will be invited to agree the meeting go into closed session to enable discussion of this information.

Legal 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 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

23. 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 15 November 2018; and
- iii) Decide the way forward for any future scrutiny of the issues discussed.

DAVINA FIORE

Director of Governance & Legal Services

2 November 2018