

CABINET MEETING:

15 July 2021

VELODROME: INTERNATIONAL SPORTS VILLAGE

INVESTMENT & DEVELOPMENT (CLLR RUSSELL GOODWAY)

AGENDA ITEM:

PORTFOLIO: INVESTMENT & DEVELOPMENT

The appendices of this report are not for publication as they contain exempt information of the description contained in paragraphs 14, 16 and 21 of Schedule 12A of the Local Government Act 1972.

Reason for this Report

1. To present the Outline Business Case for the development of a new Velodrome at the International Sport Village and to gain authority to proceed with detailed design, the procurement of a contractor and the submission of a planning application which will be presented back to Cabinet in the form of a Full Business Case for final approval in due course.

Background

2. In March, Cabinet approved a new masterplan with proposals to complete the leisure destination at the International Sports Village. The plan is attached at **Confidential Appendix 1**. As part of this, authority was granted to prepare an Outline Business Case relating to the leisure destination to include a soft-marketing testing exercise relating to the future operation of the site.
3. At the same meeting, Cabinet approved plans to relocate the Velodrome from Maindy to a new facility to be constructed at the International Sports Village. Authority was granted to prepare an Outline Business Case for the delivery of the new Velodrome, including the appointment of professional advisors, the procurement of a contractor and the development of a planning application.

Issues

4. The capital funding proposal for the delivery of the new Velodrome is made-up of two parts. The first part is a capital payment from the Council's Education

Department relating to the use of land at Maindy for the expansion of Cathays High School, which requires the relocation of the existing velodrome facility. The second part is proposed to be funded by a capital loan serviced by revenue from the operation of the new Velodrome.

5. The independent report attached at **Confidential Appendix 2** sets out the financial plan including the anticipated revenue opportunity. The report confirms that the anticipated income will be sufficient to finance the required capital loan as well as day-to-day operation and life cycle costs. The report also highlights the benefit of a small increase in the initial capital outlay to incorporate additional occupancy requirements and additional services that will in turn lead to increased revenue.
6. Based on the financial proposal set out in **Confidential Appendix 2**, this report seeks Cabinet authority to progress a Full Business Case (FBC). The FBC will finalise costs and will be reported back to Cabinet for approval before the completion of legal contracts with a contractor. A design team has been commissioned to develop the designs and cost plans to RIBA Stage 3. This will enable submission of a planning application and engagement with contractors through the SEWSCAP framework. The costs for this initial stage of the process are set out in **Confidential Appendix 3**.
7. The target is to complete design works in time for a planning submission by September 2021. The Full Business Case will then be presented back to Cabinet in November/December 2021, enabling a start on site early in the new year.
8. It is anticipated that the operation of the Velodrome will be managed as part of the overall leisure destination. The operation of the Velodrome will therefore be considered as part of the ongoing business case work on the whole of the sports village leisure destination that is scheduled to be reported back to Cabinet in September 2021, and will be incorporated into the Full Business Case for the Velodrome to be presented back to Cabinet in November/December 2021.

Reasons for Recommendation

9. To progress delivery of the new Velodrome and associated Performance Hub at the International Sports Village.

Financial Implications

10. This report seeks Cabinet approval of the business plan to support development of the Velodrome and an allocation of the budget required to complete its delivery within the International Sports Village (ISV).
11. As set out in the 'background' section of this report, in March 2021 Cabinet approved in principle the relocation of the Velodrome from Maindy to a new facility within the International Sports Village subject to the approval of a business case. Since then, Avison Young have carried out an independent assessment of the high level business plan prepared by Council officers for the development and operation of the Velodrome (see **Confidential Appendix 2**), whilst RPA have provided an independent cost feasibility estimate of the

construction costs for the Velodrome at the ISV (see **Confidential Appendix 3**) to provide increased certainty on likely construction costs than was previously available.

12. No specific funding is currently available within the budgetary framework for the redevelopment of the International Sports Village, so any proposals brought forward must be on a self-financing basis utilising capital receipts and s106 contributions generated. In this case, the capital costs of relocating the Velodrome will be funded partly by Education as part of the delivery of the new Cathays High School, and partly on an 'Invest to Earn' basis by future revenues to be generated by the Velodrome and associated facilities. The revenue costs of progressing to a full business case for final Cabinet approval will need to be funded from within existing directorate budgets.
13. An updated Financial Report is included at **Confidential Appendix 4** which takes account of revisions made following receipt of the two independent reports referenced above and appended as **Confidential Appendices 2 and 3**. The independent assessment of the business plan concluded that *"the basis of business plan costs and projections appear reasonable set against a logical rationale of the use of the venue by a number of identified stakeholder groups including those who currently use the Maindy track."* Also, after making appropriate allowances for costs, Avison Young concluded *"the velodrome is capable of meeting its operational obligations (including the servicing of assumed debt) whilst maintaining a marginal profit, assuming it is managed and administered in a commercial and proactive manner."* **Confidential Appendix 4** also sets out the potential benefits of a small increase in the initial capital outlay which could lead to increased operational revenues, albeit this investment remains subject to future decisions as well as additional due diligence.
14. As set out below, there are likely to be restrictions on future operational arrangements of the Velodrome due to the VAT status of the land. These restrictions are likely to include the Council being unable to bring operation of the facility in-house at any point, instead granting an operating lease to a third party with VAT chargeable on the lease in order to protect Council's partial exemption position. Being able to appoint a suitable third party operator remains a risk, in particular the ability and/or willingness of potential operators to assume responsibility for an annual debt repayment cost within the base operational cost model as is currently assumed within the business plan. The market appetite for this will need to be further tested as part of the soft market testing exercise for potential operating partners later this year.
15. Careful consideration must be given to the VAT implications of these proposals due to the tax status of the International Sports Village sites. The Council opted to tax this land as part of the original International Sports Village development, with specific VAT advice provided at the time setting out a range of potential uses and categories of suitable partner organisations for these sites, as well as some restrictions in order to protect the Council's VAT partial exemption position. Restrictions on future operational arrangements of the velodrome are set out above, whilst further detailed VAT advice will be required on specific proposals for the future operation of the Velodrome which must be taken into account in a timely manner during the decision making process.

Legal Implications

16. This report follows the March 20021 Cabinet report with reference to approving the business plan for the Velodrome proposal. Proper consideration will need to be given to obtaining value for money and to the risks, rewards and potential future liabilities of the proposals which are the subject of this report and appendices. In awarding any contract for works or service connected with the project, the Council will need to comply with its Contract Standing Orders and Procurement Rules internal together with the relevant statutory procurement regulations.
17. It is noted that a further report will be brought in September relating to the matters concerning the development agreement. Specific legal advice will need to be provided at that time in connection with any property matters.
18. The decision about these recommendations has to be made in the context of the Council's public sector equality duties. The Council also has to satisfy its public sector duties under the Equality Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties, Councils must in making decisions have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. The Protected characteristics are: age, gender reassignment, sex, race – including ethnic or national origin, colour or nationality, disability, pregnancy and maternity, marriage and civil partnership, sexual orientation, religion or belief – including lack of belief.
19. When taking strategic decisions, the Council also has a statutory duty to have due regard to the need to reduce inequalities of outcome resulting from socio-economic disadvantage ('the Socio-Economic Duty' imposed under section 1 of the Equality Act 2010). In considering this, the Council must take into account the statutory guidance issued by the Welsh Ministers ([WG42004 A More Equal Wales The Socio-economic Duty Equality Act 2010 \(gov.wales\)](#)) and must be able to demonstrate how it has discharged its duty.
20. An Equalities Impact Assessment aims to identify the equalities implications of the proposed decision, including inequalities arising from socio-economic disadvantage, and due regard should be given to the outcomes of the Equalities Impact Assessment.
21. The Well-Being of Future Generations (Wales) Act 2015 ("the Act") places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales – a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible.
22. In discharging its duties under the Act, the Council has set and published wellbeing objectives designed to maximise its contribution to achieving the national wellbeing goals. The wellbeing objectives are set out in Cardiff's Corporate Plan 2018-21:

23. The wellbeing duty also requires the Council to act in accordance with 'sustainable development principle'. This principle requires the Council to act in a way which seeks to ensure that the needs of the present are met without comprising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:
- Look to the long term
 - Focus on prevention by understanding the root causes of problems. Deliver an integrates approach to achieving the 7 national well-being goals
 - Work in collaboration with others to find shared sustainable solutions
 - Involve people from all sections of the community in the decisions which affect them
24. The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below:
<http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>
25. The Council has to be mindful of the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards when making any policy decisions and consider the impact upon the Welsh language, the report and Equality Impact Assessment deals with all these obligations. The Council has to consider the Well-being of Future Guidance (Wales) Act 2015 and how this strategy may improve the social, economic, environmental and cultural well-being of Wales.
26. The decision maker must be satisfied that the proposal is within the Policy and Budget Framework, if it is not then the matter must be referred to Council.

Property Implications

27. The Strategic Estates Department have been closely involved in estates advice pertaining to the Velodrome & International Sports Village Development strategy. Where there are resultant land transactions, or further negotiations or valuations required to deliver future proposals, they should be done so in accordance with the Council's Asset Management process and in consultation with Strategic Estates and relevant service areas.

RECOMMENDATION

Cabinet is recommended to:

- (i) Approve the business plan report attached at Confidential Appendix 2 and agree in principle to the allocation of the budget required to deliver the Velodrome at the International Sports Village as set out in this report subject to final approval of the Full Business Case at a future Cabinet meeting.

SENIOR RESPONSIBLE OFFICER	Neil Hanratty Director of Economic Development
	Date

The following appendices are attached:

Confidential Appendix 1 - Master-plan
 Confidential Appendix 2 - Avison Young Velodrome Business Plan Report
 Confidential Appendix 3 - RPA Cost Report
 Confidential Appendix 4 - Financial Report

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