

**INTERNATIONAL SPORTS VILLAGE UPDATE AND DEVELOPMENT
STRATEGY: PRE-DECISION SCRUTINY**

Appendices 1 and 5-11 of the Cabinet Report attached at Appendix A are not for publication as they contain exempt information of the description contained in paragraphs 14, 16 and 21 of Schedule 12A of the Local Government Act 1972. 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 provide Members with background information to assist pre-decision scrutiny of the draft report to Cabinet titled '*International Sports Village Update and Development Strategy*', to be considered by Cabinet at their meeting on 23 September 2021.
2. Members should note that **Appendices 1 and 5-11** 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 23 September 2021, the Cabinet will consider a report seeking authority to acquire land and property assets at the International Sports Village (ISV), including the Ice Arena Wales building, and formally terminate the Waterfront Development Agreement with Greenbank Partnership Ltd (GPL) by mutual agreement.

4. The report also provides an update on progress with the leisure destination, including proposals to relocate the Cardiff Motocross from Tremorfa to the ISV and delivery of a 1km closed road cycling circuit around the perimeter of the site.
5. During this scrutiny, Members have the opportunity to explore:
 - i) The proposed land and property acquisitions
 - ii) The proposed termination of the Waterfront development agreement
 - iii) The proposed relocation of Cardiff Motocross
 - iv) The delivery of a closed road cycling circuit
 - v) Test the financial and legal implications for the Council and any risks to the Council
 - vi) Gain an understanding of the next steps and timelines involved; and
 - vii) Test the recommendations to Cabinet.

Structure of the meeting

6. 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 and 5-11**.
7. Members will hear from Councillor Russell Goodway (Cabinet Member – Investment and Development), Neil Hanratty (Director of Economic Development), and Chris Barnett (Operational Manager – Major Projects). Members will be able to ask questions of the panel of witnesses.
8. 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

9. In 2001, the administration's 'Ambitions for Cardiff' strategy document contained a commitment to "*progress the development of the £240m International Sports Village as the centre piece of Cardiff's plans to become a regional capital of*

sporting excellence". The commitment to this project was reiterated in the Ambitions for Cardiff 2002-03 as "*progress the development of the International Sports Village as the centrepiece of Cardiff's plans to become a European Sports/Leisure destination*".

10. As part of the regeneration project, the Council acquired ownership of tranches of land on the ISV site, which remain in Council ownership. Since then, a mixture of public and private sector investment has resulted in the following developments:

- i) Cardiff International Swimming Pool
- ii) Cardiff International White-Water Centre
- iii) Ice Arena Wales
- iv) Residential and Retail developments
- v) Pont y Werin Bridge.

11. In 2012, the Council signed a Development Agreement with Greenbank Partnership Ltd (GPL)¹ to construct a new Ice Arena and undertake work to secure a Snow Dome or equivalent alternative leisure facility, with the release of the Council-owned Waterfront site for mixed-use development.

12. In July 2017, the Council's new Administration set out a policy programme and associated delivery commitments in the Capital Ambition five-year plan. This contains a commitment to '*Set a refreshed vision for Cardiff Bay as a leisure destination, by securing a new visitor attraction, with the possible creation of a permanent "beach style" facility and revitalising the strategy for the International Sports Village.*'

13. Since then, the Council has had a dialogue with GPL regarding the next stages of ISV development. The global financial 'crash' and consequent impacts on property markets translated into localised delays in the roll-out of the Cardiff Pointe development; the Council responded by providing GPL with an extension to the Development Agreement timeline. In 2019, GPL informed the Council that

¹ GPL are the owners and developers of the adjacent Cardiff Pointe site and signed a Development Agreement with Cardiff Council, in 2012, to construct a new Ice Arena and undertake work to secure a Snow Dome or equivalent alternative leisure facility

they were entering a Joint Venture with a new development partner to complete Cardiff Pointe.

14. In March 2018, Cabinet provided authority for the Council to acquire 4.32 acres of land on the former Toys'R'Us retail building including a large service yard and circa 300 car parking spaces. The rationale for the acquisition was to improve the development potential of the Council's adjoining land holding known as Retail 3.

15. In October 2019, Cabinet approved a revised development strategy for the ISV, including considering land ownership, future operating models, and appropriate procurement processes to develop these.

16. In March 2021, Cabinet approved a new masterplan for the leisure component of the ISV, including in principle approval for a velodrome. In July 2021, Cabinet gave approval to proceed to detailed design of the velodrome, procurement of a contractor and submission of a planning application and agreed in principle to the allocation of the budget required to deliver the velodrome.

17. The draft report to Cabinet titled '*International Sports Village Update and Development Agreement*', is attached at **Appendix A** and has **11** appendices:

- **Confidential Appendix 1** - 2012 Development Agreement
- **Appendix 2** - Land ownership plan
- **Appendix 3** - Ice Arena Wales
- **Appendix 4** - ISV Masterplan 2021
- **Confidential Appendix 5** - Heads of Terms GPL
- **Confidential Appendix 6** - Knight Frank Valuation
- **Confidential Appendix 7** - Business Case (Land Disposal)
- **Confidential Appendix 8** - ISV Land ownership (Powell Dobson)
- **Confidential Appendix 9** - Business Case (Ice Arena)
- **Confidential Appendix 10** - Updated Masterplan
- **Confidential Appendix 11** - Finance Report

Issues identified in the Cabinet Report

18. The report to Cabinet sets out the background to the Waterfront Development Agreement with GPL and that development has stagnated for several years. At **point 7**, the report states that both parties have been reluctant to escalate to a

legal dispute. **Point 11** states that the Council, with the agreement of GPL, has proposed to acquire the assets owned by GPL at the ISV.

19. The report to Cabinet states that the benefits of the Council acquiring the GPL assets, including the Ice Arena Wales building, are:

- i) Formal mutual release freeing the land from any further rights claimed by GPL
- ii) The Council would have the freehold of all leisure assets at the ISV
- iii) Allow the Council to bring forward a new strategy to accelerate completion of the development
- iv) Enable the Council to address the concerns of residents at Cardiff Pointe
- v) Enable the Council to work to complete the ISV development and deliver a high-quality leisure and sport destination at this site.

20. **Point 14** highlights that the Council would like there to be a single operational agreement for all the facilities on the site.

21. **Points 18 -22** set out details re the acquisition of land, including:

- i) Heads of Terms for the acquisition of circa 10 acres of land and the Ice Arena Wales building have been agreed in principle with GPL and are set out in Confidential Appendix 5
- ii) An independent valuer's report, attached at Confidential Appendix 6, confirms the proposed transaction represents market value
- iii) The proposal is to complete the transaction in two stages, with the first stage taking place by the end of the calendar year
- iv) The Financial Report at Confidential Appendix 11 confirms the capital to acquire the assets comes from within existing allocated budgets
- v) The underpinning business plan, at Confidential Appendix 7, demonstrates the Council will recoup its capital outlay over a period of circa two years, with a series of smaller plots disposed of sequentially

- vi) Developers will be required to secure planning permission and commit to a build contract before disposals will be completed, to avoid land banking and promote delivery.

22. **Points 23 – 28** set out details on completing the leisure destination. Notably, the report to Cabinet states that the *‘acquisition of GPLs assets will tie up the Council’s capital resources allocated towards the delivery of the ISV project up until the end of December 2023 and potentially longer.’* The report states that this means the various projects set out in the masterplan will only be able to progress prior to that if they can be commercially funded or funded by sources other than the Council.
23. The report proposes that the Council will seek to progress business cases for each of the components in the masterplan, which will identify whether the project requires Council funding.
24. **Point 25** highlights a soft-marketing exercise has commenced to consider the commercial delivery of a new Multi Storey Car Park and that one will start shortly to seek investment into the Toys’R’Us building.
25. **Point 26** states that the current Management Agreement with the Cardiff Devils will be utilised until the long-term operational management of the whole leisure destination is resolved. The long-term options are set out in the business case attached at Confidential Appendix 9.
26. **Point 27** states that the site adjoining the Toys’R’Us building and car park at the ISV, known as Retail 3, has been identified as a potential site for the relocation of the Cardiff Motocross Track and Education. Further details are in Confidential Appendix 10.
27. **Point 28** sets out that both the Cardiff Motocross and the proposed Closed Road Cycle Circuit have the potential to benefit from the earthworks/civils package associated with delivery of the new Velodrome at the ISV. As such, it is intended

for the Outline Business Cases for both of these projects to be developed in time to be reported back to Cabinet at the same time as the final decision on the Velodrome project.

28. Financial Implications are set out in **Points 30-37** and include:

- i) Outstanding debts due to Council from Greenbank Partnership Ltd will be resolved as part of termination of Waterfront Development Agreement
- ii) Funding for this acquisition is available within the existing budgetary framework for the redevelopment of the International Sports Village
- iii) Confidential Appendix 7 sets out details of the independent land disposal business case
- iv) Confidential Appendix 11 sets out details of the cashflow management strategy to suitably manage the Council's overall financial exposure and realise receipts
- v) Any proposals must be self-financing, in line with the budgetary framework, and whilst this acquisition is funded by debt initially, it becomes self-financing within 2-3 years by breaking up land into separate parcels
- vi) Taking this decision will leave no further scope for additional capital expenditure at ISV over-and-above the acquisition of GPL land and assets referenced in this report and delivery of the Velodrome – further details are set out in Confidential Appendix 11
- vii) Confidential Appendix 6 provides an independent site valuation
- viii) Confidential Appendix 9 provides an independent review of the existing operation at Ice Arena Wales
- ix) Temporary and future operating arrangements for Ice Arena Wales must be a key consideration ahead of completing the purchase, to ensure the Council can operate this facility without any ongoing Council subsidy and ideally with a commercial return
- x) The transfer of employer responsibilities from Ice Arena Wales remains a risk and so it is important to have a suitable solution ahead of completing the transaction

- xi) Any costs/ revenues from Ice Arena Wales are the responsibility of the directorate and must be managed within existing revenue budgets, including capital expenditure and holding costs
- xii) Specific VAT advice will be required on proposals regarding disposal strategy and future use of land as well as future operational arrangements for Ice Arena Wales, as it is likely some limitations will need to be adhered to here in order to protect the Council's VAT partial exemption position.

29. Legal Implications are at **Points 38-49** and include:

- i) The ability of the Council to acquire land
- ii) For property transactions, the Council needs to comply with its acquisition of and disposal of land rules and procedures, including seeking advice of its qualified valuer
- iii) Re acquisition of the Ice Arena Wales, the appendices to the report set out the risks and liabilities to the Council from taking on the operation of the Ice Arena and the Heads of Terms allow for the Council to nominate a third party to operate in place of the Council. The Council will need to comply with its contract procedure rules and public procurement rules with regard to appointing any operator on its behalf
- iv) The Cabinet needs to take account of the Council's fiduciary duties to local residents and taxpayers, giving proper consideration to the risks, rewards and potential future liabilities of proposals
- v) Decisions about the recommendations need to be made in the context of the Council's public sector equality duties and duties arising from the Equality Act 2010, including the Socio-Economic Duty, the Well-Being of Future Generations (Wales) Act 2015, the Welsh Language (Wales) Measure 2011 and Welsh Language Standards
- vi) The proposals need to be within the policy and budgetary framework of the Council; otherwise, the proposals must be referred to Council.

30. **Property Implications**, at **Point 50**, state the need to ensure that land transactions, negotiations or valuations required to deliver the proposals are done in accordance with the Council's Asset Management process.

Proposed Recommendations to Cabinet

31. The report to Cabinet contains the following recommendations:

- (i) *Approve the acquisition of assets owned by Greenbank Partnership Ltd (including its subsidiaries) in accordance with the Heads of Terms set out at Confidential Appendix 5 and to delegate authority to the Director of Economic Development in consultation with the Cabinet Member for Investment and Development, the Section 151 Officer and the Legal Officer to deal with all matters relating to legal completion of those assets and management of the Ice arena.*
- (ii) *Subject to (i) above, authorise the formal termination of the International Sports Village Development Agreement with Greenbank Partnership Ltd attached as Confidential Appendix 1 by mutual agreement.*

Previous Scrutiny

32. Following scrutiny in **March 2018**, the Chair's letter² highlighted:

'Members wish to undertake further scrutiny of the proposals for revitalising the ISV, as these come forward... We look forward to these including details on proposed improvements to pedestrian and cycle routes in the Bay, thus enhancing the visitor and resident experience.'

33. In **November 2018**, following scrutiny of a report to Cabinet regarding land at Harbour Drive, the Chair, Councillor Nigel Howells, wrote to Councillor Russell Goodway, Cabinet Member- Investment & Development, stating³:

'Members are supportive of the proposal to purchase land in order to protect the Bay edge for leisure use and to provide opportunities for appropriate investment to enhance further the amenity of Cardiff Bay. Members are

² Letter from Cllr Howells, Chair Economy & Culture Scrutiny Committee, to Cllr Goodway, Cabinet Member Investment & Development, dated 9 November 2018.

reassured to hear that officers are working on an overall Cardiff Bay masterplan, which will include this site.'

34. In **October 2019**, following their scrutiny, the Chair, Councillor Nigel Howells, wrote to Councillor Russell Goodway, Cabinet Member- Investment & Development, stating⁴:

- i) Overall, Members recognise *'the need to utilise a pragmatic strategy to finish the ISV and ensure benefits to the surrounding communities and across Cardiff and the region'*
- ii) *'it is critical that we apply the lessons learnt from earlier schemes regarding how best to build a sense of place and a sense of community...how to best factor in appropriate, open spaces for residents to meet and interact; at the meeting, ideas mentioned included pocket parks and community buildings. Members were pleased to hear assurances that trees and greenery would be part of the development'*
- iii) *'Members recognise the need to enhance the leisure offer and believe that adventure tourism products will bring economic benefits to the area; the need to boost the transport infrastructure is appreciated and Members are pleased that public and active transport infrastructure are highlighted for improvement and enhancement.'*

35. On **11 March 2021**, this Committee scrutinised the proposed new masterplan for the leisure component of the ISV, authority to develop a detailed business case, in principle approval for a velodrome and authority to develop a velodrome detailed business case and develop a planning application. Following the scrutiny, the Chair, Councillor Howells, wrote a confidential letter to Councillor Russell Goodway, Cabinet Member- Investment & Development, capturing the committee's comments, observations and requests. Councillor Goodway responded to this letter on 18 March 2021. Copies of these letters have been shared with committee members, by email, ahead of this meeting.

36. On **13 July 2021**, this Committee scrutinised the Outline Business Case for the development of the velodrome, proposals to proceed to detailed design, procurement of a contractor and submission of a planning application and

⁴ Extracts taken from letter from Cllr Howells, Chair Economy & Culture Scrutiny Committee, to Cllr Goodway, Cabinet Member Investment & Development, dated 4 October 2019.

agreement in principle to the allocation of the budget required to deliver the velodrome. Following this scrutiny, the Chair, Councillor Howells, wrote two letters to Councillor Goodway, Cabinet Member – Investment and Development, a public letter, and a confidential letter. The public letter is attached at **Appendix B**, along with the response received from Councillor Goodway, and the confidential letter has been shared with committee members, by email, ahead of this meeting.

Way Forward

37. Councillor Russell Goodway (Cabinet Member – Investment and Development) will be invited to make a statement. Neil Hanratty (Director of Economic Development) and Chris Barnett (Operational Manager – Major Projects) will attend and all witnesses will be available to answer Members' questions on the proposals.

38. All Members are reminded of the need to maintain confidentiality with regard to the information provided in **Appendices 1 and 5-11**. Members will be invited to agree the meeting go into closed session to enable discussion of this information.

Legal Implications

39. 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

40. 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 23 September 2021, and
- iii) Decide the way forward for any future scrutiny of the issues discussed.

DAVINA FIORE

Director of Governance & Legal Services

14 September 2021