

CABINET MEETING:

23 September 2021

**INTERNATIONAL SPORTS VILLAGE UPDATE AND
DEVELOPMENT STRATEGY**

INVESTMENT & DEVELOPMENT (CLLR RUSSELL GOODWAY)

AGENDA ITEM:

PORTFOLIO: INVESTMENT & DEVELOPMENT

Appendices 1 and 5-11 of this report are not for publication as they contain exempt information of the description contained in paragraphs 14, 16 and 21 of Schedule 12A of the Local Government Act 1972.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 seek authority to acquire property assets at the International Sports Village comprising of circa 10 acres of land and the Ice Arena Wales building to consolidate the Council's ownership at the site and to accelerate completion of the development.
2. To seek authority to formally terminate the Waterfront Development Agreement with Greenbank Partnership Ltd (via its subsidiary Helium Miracle 123 Limited) by mutual agreement.
3. To update on progress with the leisure destination including proposals for the relocation of the Cardiff MX facility from Tremorfa to the International Sports Village and delivery of a 1 km Closed Road Cycling Circuit around the perimeter of the site.

Background

4. In 2012, the Council entered into a long-term Development Agreement for the redevelopment of the International Sport Village (ISV) with Greenbank Partnership Ltd (GPL), the owners of the adjacent Cardiff Pointe site, following a market procurement exercise. The Development Agreement, attached as Confidential Appendix 1, relates only to land in Council ownership. A plan illustrating the various land ownerships and interests at the ISV and the land

subject to the Development Agreement, including a phasing plan, is attached at Appendix 2.

5. The Development Agreement sets out the development of the Council's land in two phases. The first phase is based on the development of a new twin-pad, 3000 capacity, Ice Arena. GPL has delivered the Ice Arena and the details are set out at Appendix 3. Following delivery of phase one, the Development Agreement provided for release of the second phase on commitment by GPL to deliver a 150+m indoor, real snow, Ski-Slope. The proposed Ski Slope was to be subsidized through surrounding development including a significant level of retail development. However, by the time the Ice Arena was completed and GPL were ready to move into the second phase, the market for retail development had changed, and this in turn meant the Ski-Slope proposal had become commercially undeliverable.
6. At the same time as delivering the Ice Arena, GPL progressed 100 units of private housing development on their own land at Cardiff Pointe. They also delivered the affordable housing obligation for the whole Cardiff Pointe site up-front, consisting of circa 160 units, on two separate sites within the wider ISV area.
7. Development at the International Sports Village has now stagnated for a number of years. Progress under the Development Agreement has been slow due to a disagreement between the Council and GPL relating to the fulfilment of conditions for the next phase of development (i.e. commitment to deliver the Ski Slope or a reasonable alternative). Both parties have been extremely reluctant to allow the matter to escalate into a legal dispute, preferring instead to try to find an amicable way forward.
8. The Council remains committed to completing the ISV development and to delivering a high quality leisure and sport destination at the site. In March 2021, Cabinet agreed a new masterplan for the leisure element including a proposal for a new Velodrome to replace the existing cycle track at Maindy. The approved masterplan is attached at Appendix 4.
9. In July 2021, Cabinet agreed to progress a Full Business Case for the delivery of the new Velodrome with the target of works commencing on-site early in 2022 and for the new facility to be fully operational by spring 2023.

Issues

10. The International Sports Village is a high profile project that has been under development by the Council for over two decades following initial land reclamation and remediation works. In recent years the development has effectively ceased and the site has consequently suffered from significant uncertainty for an extended period. The Development Agreement between the Council and GPL that was designed to facilitate development has effectively served to frustrate progress over recent years.
11. In order to avoid legal proceedings which could add significant additional delay to development recommencing the Council with the agreement of GPL has proposed to acquire the assets owned by GPL at the ISV. This will enable the

Council to obtain a formal mutual release of the existing Development Agreement, freeing the land from any further rights claimed by GPL and will allow the Council to bring forward a new strategy to accelerate completion of the development.

12. The proposal to acquire the assets owned by GPL will also enable the Council to address concerns raised by residents of the Cardiff Pointe development. Housing development at Cardiff Pointe has also stagnated in recent years and this has created significant uncertainty for existing residents who have found themselves in a position where their properties have become difficult to sell. The area looks unfinished with much of the site undeveloped and without a plan for completion. The housing units developed by GPL are also subject to a housing management arrangement requiring residents to pay a service charge. At present the level of charges is skewed due to the low numbers of completed properties. Whilst the delays in completing the development continue, the costs of this arrangement are borne by the residents. The Council has received significant representations from the residents of Cardiff Pointe encouraging the Council to facilitate completion of the development as soon as possible.
13. The leisure destination remains a key priority for the Council, included as an objective in the Council's Corporate Plan. Over the years, the Council has invested in a number of state-of-the-art facilities such as the International Pool and the International White Water Rafting Centre and FlowRider. However, the leisure destination remains unfinished and at present does not hang together as a single attraction. The Council has published plans to develop a new Velodrome on the site and has set out its aspiration to add further facilities such as a closed road cycling circuit, a bigger high ropes attraction across the site, a new electric motorcross and off-road bike facility, much improved public realm to provide space to host events, and coherent car parking arrangements.
14. The consolidation of the currently disparate attractions into a single destination requires a new approach to the operation, management and maintenance of the site. The Council would like to facilitate all of the facilities being operated together under a single operational agreement:
 - to ensure a single approach to the management and maintenance of the buildings and the public realm/landscaping;
 - to market and promote all of the attractions as a single destination to visitors;
 - to manage car parking and the food and beverage offer across the whole site.
15. This is a long-term plan which may take time to deliver due to existing operational commitments and agreements. The Council's proposals for the completion of the leisure destination will mean that only the Ice Arena would sit outside of the Council's control. However, the proposal to acquire the assets owned by GPL includes the acquisition of the Ice Arena, which would mean the Council would have full control of all leisure assets at the ISV.

Development Agreement

16. The Council has been in dialogue with GPL over an extended period of time to find a solution to allow development under the Development Agreement to progress. As illustrated in Appendix 2, GPL currently has a number of adjacent

land interests including Cardiff Pointe, the International Pool car park site and the Ice Arena and associated land. Their assets are allocated in the LDP and they have secured planning permission for circa 700 new homes across their holdings.

17. To avoid legal dispute and further consequent delay the Council has proposed to acquire the assets owned by GPL. GPL has agreed to this proposal on the basis that it is a comprehensive acquisition of all assets. Completion of the acquisition will formally terminate the existing Development Agreement.

Acquisition of Land

18. Heads of Terms for the acquisition of circa 10 acres of land and the Ice Arena building have been agreed in principle with GPL and are set-out at Confidential Appendix 5. An independent valuers report is attached as Confidential Appendix 6, which confirms that the proposed transaction represents market value. The proposal is to complete the transaction in two stages with the first transaction of taken place by the end of the calendar year.
19. The Council capital to acquire the assets comes from within existing allocated budgets as set out in the Financial Report attached as Confidential Appendix 11.
20. The acquisition is based on a business plan and appraisal which demonstrates that the Council will recoup its capital outlay over a period of circa two years. The disposal strategy involves the creation of a series of smaller plots which will be disposed of sequentially. Developers will be required to demonstrate a commitment to deliver development through securing a planning permission and committing to a build contract before disposals will be completed to avoid land banking and to promote delivery. The business plan and appraisal is attached as Confidential Appendix 7.
21. It is intended that a soft market exercise will commence in October to identify developers so that the Council is ready to progress with the first disposals as soon as the transaction is completed with GPL at the end of the year.
22. The transaction includes the acquisition of the Ice Arena development. The Ice Arena has been independently valued as a depreciating asset (see Confidential Appendix 6). The acquisition of the Ice Arena will enable the Council to retain the freehold interest in the whole of the leisure destination over the long term. The Council will seek to lease the leisure assets on operational terms over a relatively short period of circa 30-35 years.

Completion of the Leisure Destination

23. As set out above, the acquisition of GPL's 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. This means that the various projects set out in the masterplan released by the Council in March 2021 (see Appendix 4) and the updated masterplan (attached as Confidential Appendix 10) will only be able to progress in advance of the recovery of the Council's capital investment

if they can be commercially funded, or funded via sources other than the Council.

24. In order to fully understand the costs associated with each of the components of the masterplan the Council will seek to progress businesses cases. If the business case confirms that the project requires Council funding, delivery of the project will need to wait until the Council has recovered its investment in acquiring Greenbank's assets. A project would only be able to progress in advance of that if it can be brought forward commercially or by using funding from alternative non-Council sources.
25. The Council has already commenced a soft-marketing exercise to consider the commercial delivery of a new Multi Storey Car Park (MSCP). Cabinet has also provided authority for a soft marketing exercise to be undertaken to seek to attract investment into the Toys'R'Us building which will commence this month.
26. The Council will be acquiring the Ice Arena as part of acquiring GPL's assets. The current Management Agreement with the Cardiff Devils will be utilized 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.
27. In 2018, Cabinet agreed to the disposal of the Former Frag Tip site which currently accommodates the Council run Motocross Track and Education site (known as Cardiff MX). A significant financial contribution has been secured as part of the disposal of the Former Frag Tip site to support the relocation of the Cardiff MX facility to an alternative site in Cardiff. 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 facility. The plans at Confidential Appendix 10 set out the area required for this new facility. The Council will now take forward an Outline Business Case to consider the feasibility of this proposal.
28. The masterplan released in March also proposed the delivery of a Closed Road Cycle Circuit around the perimeter of the leisure destination. Both the Cardiff MX 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 OBC's 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.

Reasons for Recommendation

29. To acquire the land interests and conclude the development agreement on the ISV and proceed with the delivery of the wider masterplan.

Financial Implications

30. This report seeks authority to acquire the assets of Greenbank Partnership Ltd at the International Sports Village (ISV), comprising of both land as well as the Ice Arena Wales property and assets, to consolidate the Council's ownership at the site and to accelerate completion of the ISV development. In doing so,

permission is also sought by this report to terminate the existing Waterfront Development Agreement with Greenbank Partnership Ltd at the International Sports Village, which has been subject to a dispute between the parties in recent years, in an effort to avoid the need for legal action by either party. Outstanding debts due to Council from Greenbank Partnership Ltd will also be resolved as part of termination of Waterfront Development Agreement.

31. The terms of the acquisition for the land and property assets of Greenbank Partnership Ltd are set out within agreed Heads of Terms in **Confidential Appendix 5**. Funding for this acquisition is available within the existing budgetary framework for the redevelopment of the International Sports Village, although any proposals brought forward must be on a self-financing basis in line with the budgetary framework. The acquisition of land and property from Greenbank Partnership Ltd is to be funded by debt initially, albeit a strategy is in place to enable this to become self-financing within 2-3 years by breaking up land acquired into separate parcels, then marketing and disposing of packages of land to third parties for immediate development. Details of this independent land disposal business case are included at **Confidential Appendix 7**. This land disposal business plan will be subject to agreement of a suitable cashflow management strategy, both to realise receipts and to suitably manage the Council's overall financial exposure during this period, and then actually delivering against that strategy. Further details of cashflow management strategy are included within **Confidential Appendix 11**.
32. Cabinet should note that whilst this acquisition can be completed within the existing budgetary framework, taking this decision will leave no further scope for additional capital expenditure at ISV within current budgetary framework over-and-above the acquisition of Greenbank Partnership Ltd land and assets referenced in this report, and delivery of the Velodrome (approved in principle at July Cabinet). This means any further plans for expenditure at ISV not referenced above cannot proceed currently within the existing budgetary framework. All other planned expenditure on other items contained within the revised ISV masterplan previously approved by Cabinet in March 2021, but not yet brought forward for Cabinet approval, must therefore be paused. On this basis no further decisions, commitments or capital expenditure on ISV can occur in this financial year, or until such a time as sufficient capital receipts have been received to cover any additional planned expenditure within the existing budgetary framework. Further details can be found within **Confidential Appendix 11**.
33. In accordance with the Council Constitution, any acquisition or disposal of Council land must be supported by an independent site valuation to demonstrate value for money. The independent valuation report for the acquisition of land and assets of Greenbank Partnerships Ltd is included as **Confidential Appendix 6**. The development appraisal and proposed business case for land disposals, along with a proposed indicative programme with anticipated timeframes and initial net proceeds of sale are included at **Confidential Appendix 7**.
34. Ice Arena Wales will be acquired by Council as part of this deal on terms set out in **Confidential Appendix 5**. All Ice Arena Wales assets will therefore transfer to Council as part of this agreement. An independent review of the existing

operation at Ice Arena Wales, including the operational business plan costs and revenues along with the likely return achievable on an asset of this nature, is included within **Confidential Appendix 9**.

35. The Council will take over responsibilities for the Ice Arena (and the costs associated with it) from completion of its purchase of the land in phase 1 (December 2021) until it completes its purchase of the Ice Arena (December 2022) and into the future. Temporary and future operating arrangements for Ice Arena must therefore be a key consideration ahead of completing this purchase. Ice Arena Wales is currently operated by Cardiff Devils, although it is recognised that the current management agreement in place with Ice Arena Wales is unlikely to remain suitable in the long-term, so both the interim and future operational arrangements of Ice Arena must be a key consideration for the Council upon acquisition. A new management agreement with Devils Entertainment Ltd, or a new operator altogether may need to be found, so directorate will need to have a clear understanding of suitable parties and likely terms of operational leases or management agreements to ensure the Council can operate this facility without any ongoing Council subsidy, and ideally with a commercial return. The transfer of employer responsibilities from Ice Arena Wales also remains a risk as part of the acquisition, so it is important a suitable solution is found here ahead of completing the transaction
36. Any costs/revenues generated from leases or management agreements put in place for operation of Ice Arena will be responsibility of directorate and must be managed within existing revenue budgets. This should include any surpluses or subsidies required to operate the facility, as well as any capital expenditure which may be required in improving or up keeping the existing facility. All holding costs of the land and assets acquired as part of this transaction will also need to be met from within existing directorate budgets.
37. Careful consideration must be given to the VAT implications of these proposals. All sites will be opted to tax upon acquisition, so specific VAT advice will be required on proposals regarding disposal strategy and future use of this land which must be taken into account during the decision making process. Importantly, the future operational arrangements for Ice Arena Wales must also be a strong consideration ahead of the acquisition, as it is likely some limitations will need to be adhered to here in order to protect the Council's VAT partial exemption position.

Legal Implications

38. Section 120 of the Local Government Act 1972 enables the Council to acquire land for either (a) the benefit, improvement or development of its area or (b) for any of its functions under any enactment. The Council's Disposal and Acquisition of Land Procedure Rules requires the decision maker to have regard to advice from a qualified valuer, to ensure value for money. The Council Legal Services will be required to undertake legal due diligence, including any matters highlighted in the Valuer's report prior to exchange of contracts.
39. It is understood that part of the proposal will require the Council to take on the operation of the Ice Arena prior to its acquisition of that asset, further details of

risk and liabilities which are highlighted in the appendices to this report, particularly with regard to TUPE. The heads of terms allow for the Council to avoid this by nominating a third party to operate in place of the Council, which the intention of taking on the operation directly from the seller. The Council will need to comply with its contract procedure rules and Public procurement rules with regard to appointing any operator on its behalf.

40. Cabinet needs to take account of the Council's fiduciary duties to the local residents and taxpayers. As such, proper consideration needs to be given to the risks, rewards and potential future liabilities of the proposals which are the subject of this report.

Equalities & Welsh Language

41. In considering this matter the decision maker must have regard to the Council's 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. Protected characteristics are: (a). Age, (b) Gender reassignment (c) Sex (d) Race – including ethnic or national origin, colour or nationality, (e) Disability, (f) Pregnancy and maternity, (g) Marriage and civil partnership, (h) Sexual orientation (i) Religion or belief –including lack of belief.
42. 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.
43. 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.
44. The decision maker should be mindful of the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards.

The Well-being of Future Generations (Wales) Act 2015

45. 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. In discharging its duties under the Act, the Council has set and published well being objectives designed to maximise its contribution to achieving the national well being goals. The wellbeing objectives are set out in Cardiff's Corporate Plan 2020 -23.

46. When exercising its functions, the Council is required to take all reasonable steps to meet its wellbeing objectives. This means that the decision makers should consider how the proposed decision will contribute towards meeting the wellbeing objectives and must be satisfied that all reasonable steps have been taken to meet those objectives.
47. The wellbeing duty also requires the Council to act in accordance with a '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 compromising 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 integrated 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
48. 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 on line using the link below:
<http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

Policy and Budget Framework

49. 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

50. The Strategic Estates Department has 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 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.

SENIOR RESPONSIBLE OFFICER	Neil Hanratty Director of Economic Development
	Date

The following appendices are attached:

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