

INTERNATIONAL SPORTS VILLAGE: PRE-DECISION SCRUTINY

Appendices 2-3 and 5-13 of the Cabinet Report are not for publication as they contain exempt information of the description contained in paragraphs 14 and 16 of Part 4 and paragraph 21 of Part 5 of Schedule 12A of the Local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 background information to Members to aid their scrutiny of the draft report to Cabinet titled *International Sports Village*, which is due to be considered by Cabinet at their meeting on 19 January 2023.
2. Members should note that **Appendices 2-3 and 5-13** 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.

Scope of Scrutiny

3. At their meeting on 19 January 2023, the Cabinet will consider a report that provides an update on the International Sports Village (ISV) development. The report asks Cabinet to:
 - i. Approve the disposal strategy, with detailed heads of terms to be approved at a future meeting of Cabinet
 - ii. Approve the preferred operator for the proposed new Velodrome
 - iii. Approve the preferred operator for the Ice Arena, including proposed new family attraction
 - iv. Note the Strategic Outline Case for the Energy Strategy for the ISV
 - v. Approve in principle the proposal to establish a single management organisation for the leisure destination at ISV

- vi. Agree in principle to the introduction of an appropriate charging regime for parking
- vii. Authorise the development of a Full Business Case for the whole leisure destination, including associated infrastructure
- viii. Approve the development of Outline Business Cases for:
 - a) Energy Strategy
 - b) Single Management Organisation
 - c) Multi Storey Car Park delivery options
- ix. Approve the budgetary spend to enable the development of the various Business Cases proposed in the report and enable the submission of planning applications as required.

4. During this scrutiny, Members have the opportunity to:

- i. Explore the proposed disposal strategy for the residential and commercial development opportunities at ISV
- ii. Consider the updates provided and proposals regarding the Velodrome, Outline Business Case – Leisure Destination, Energy Strategy, and Park and Ride/ Multi Storey Car Park
- iii. Consider the updates provided regarding the Operator Strategy, including proposals regarding the Ice Arena, a Management Organisation, and use of a universal booking system, Internal Repairing Leases and service charges
- iv. Test the financial, legal, and property implications
- v. Test whether there are 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

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 and 5-13.**

6. Members will hear from Councillor Goodway (Cabinet Member – Investment and Development), Neil Hanratty (Director of Economic Development), Chris Barnett (OM Major Projects) and Jo-Anne Phillips (Project Manager). 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 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*".
9. 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.
10. In 2012, the Council signed a Development Agreement with Greenbank Partnership Ltd (GPL)¹ to construct a new Ice Arena and undertake work to

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

secure a Snow Dome or equivalent alternative leisure facility, with the release of the Council-owned Waterfront site for mixed-use development.

11. 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.*'
12. 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.
13. 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.
14. In September 2021, Cabinet authorised the acquisition of assets owned by GPL, including the Ice Arena, to enable the development agreement to be terminated; acquisition was to be completed by 31 December 2022.
15. In March 2022, Cabinet approved an updated masterplan and gave authority for soft marketing to develop a disposal strategy for residential and commercial land and extending the Full Business Case for the velodrome to include a Closed Loop Circuit, with associated infrastructure and public realm works.
16. The draft report to Cabinet entitled '*International Sports Village*' is attached at **Appendix A** and has **fourteen** appendices:
 - **Appendix 1** – ISV Masterplan
 - **Confidential Appendix 2** - Disposal Strategy (Interim Report)

- **Confidential Appendix 3** - Watermark Consortium – Vision Statement
- **Appendix 4** - Marketing Brochure (Disposal Strategy)
- **Confidential Appendix 5** - Operator Report
- **Confidential Appendix 6** - Ice Arena Proposal
- **Confidential Appendix 7** - Booking System - Options Appraisal
- **Confidential Appendix 8** - Booking System Proposal
- **Confidential Appendix 9** - Review of the Closed Loop Circuit Proposal
- **Confidential Appendix 10** - Outline Business Case – Leisure Destination
- **Confidential Appendix 11** - Parkwood Energy Projections
- **Confidential Appendix 12** - ISV Energy Strategy (Strategic Outline Case)
- **Confidential Appendix 13** - Funding Proposal for Business Case Development
- **Appendix 14** - Equality Impact Assessment

Issues identified in the Cabinet Report

17. The report to Cabinet, at Appendix A, contains the following sections:

- i. Disposal Strategy – points 11- 15
- ii. Velodrome Update – points 16 – 19
- iii. Operator Strategy – points 20-32
- iv. Outline Business Case – Leisure Destination – points 33 – 36
- v. Energy Strategy – points 37 – 40
- vi. Park and Ride – points 41 – 43
- vii. Consultation – points 44 – 47.

18. The main points to note are:

Disposal Strategy

- i. A disposal strategy is proposed to ensure the ISV development is brought forward in a coherent manner to deliver a high-quality neighbourhood
- ii. The soft marketing exercise resulted in several expressions of interest and offers both for individual plots and for the role of master developer as set out in Confidential Appendix 2
- iii. The Council’s appointed agents recommend the appointment of a master developer whilst also seeking to capture the best offers for individual plots (hybrid approach)
- iv. The Watermark Consortium is the preferred bidder; it includes Orion Land, the original developer of the ISV site. An overview of their offer is at

Confidential Appendix 3. This offer would secure an early start on site and early capital receipts for the Council.

- v. The target is to negotiate terms of an agreement and to return to Cabinet for final approval in March 2023.

Velodrome Update

- vi. The Full Business Case (FBC) will be presented to Cabinet once the land arrangements relating to the Cathays High School site are progressed.
- vii. Detailed design work to inform the FBC continues, with a track design specialist appointed and engagement via the technical working group represented by track cycling specialists and users.
- viii. Proposing to deliver a Central Performance Hub that will support the development of athletes across several sports. The Hub is proposed to be allocated approximately 9,000 sq ft within the Toys R Us building (which totals 40,000 sq ft).

Operator Strategy

- ix. The market exercise to seek operator offers resulted in 4 bids. The Council's appointed independent agents are recommending to progress dialogue with a preferred operator for the Ice Arena and a preferred operator for the proposed new Velodrome
- x. The preferred bid for the **Ice Arena** seeks to meet the current operating costs by making better commercial use of the second ice pad, by providing a family leisure attraction, including a bespoke '*clip & climb*' facility aimed at attracting children and young people to the ISV. More details are at point 24 and Confidential Appendix 6.
- xi. Confidential Appendix 5 recommends that the Council establishes a **Management Organisation** to ensure sport and leisure facilities and the general environment of the ISV are well maintained and fit for purpose by securing income from each sport and leisure facility based on visitor numbers and using these monies for external maintenance and repairs of properties and site maintenance. This would require a universal booking system, a service charge and use of 'Internal Repairing' Leases. The exact nature and constitution of this organization is yet to be determined and will require further due diligence.

- xii. Research on booking systems is at Confidential Appendix 7, with the recommended platform shown in Confidential Appendix 8.

Outline Business Case – Leisure Destination

- xiii. Confidential Appendix 9 presents an independent review of the Closed Loop Circuit proposal
- xiv. Confidential Appendix 10 presents the OBC, with a breakdown of costs, capital and revenue opportunities for infrastructure, Closed Loop Circuit and its public realm and container-based retail opportunities. It demonstrates the viability of proposals.
- xv. The Council's intention is to bring forward a single Full Business Case covering all of the investment required to complete the leisure destination, including the new Velodrome proposal, and to enable the disposal strategy.

Energy Strategy

- xvi. Confidential Appendix 8 presents a Strategic Outline Case for an energy solution for the ISV site
- xvii. Confidential Appendix 12 sets out an Energy Strategy to ensure the ISV development meets the Council's ambitions and also provides an affordable and sustainable long-term energy solution for both residents, businesses and the major leisure attraction located on site.
- xviii. It is anticipated that the Council will need to require each of the various developments brought forward through the disposal strategy to be linked-in to a single joined up plan.
- xix. The Council now needs to develop an Outline Business Case to consider the investment options for delivering the strategy.

Park and Ride

- xx. The delivery of a new Park & Ride facility providing quick access to the city centre and Cardiff Bay is an important feature of the new ISV masterplan.
- xxi. The Park & Ride facility will help to address local residents and businesses' long-standing concerns, providing provision to deal with ISV event peaks and removing surface car parks that can result in additional issues such as littering and anti-social behaviour, freeing up land for development

- xxii. The proposal is to deliver a 1,000-space multi-storey car park (MSCP), on Plot 9, and provide regular and quick bus services to the city centre and Inner Harbour.
- xxiii. There will be a need to introduce parking charges to fund delivery of a new MSCP. Consideration of the options for a charging regime will be a key part of the work in preparing an Outline Business Case, including consideration of the specific requirements of leisure users particularly where users make multiple visits per week to a facility or are required to park for extended periods of time.

19. Points 44 – 47 set out the various **consultation** activities undertaken re the ISV, including formal consultation on the ISV Masterplan, ongoing engagement with local residents, and the inclusion of sports bodies on the Council's technical working group for the Velodrome and wider site.

20. **Financial Implications** are at **points 49-58**, and highlight:

- i. Cabinet should satisfy themselves the current business cases are likely to be deliverable before agreeing to incur further costs to progress to the next stages – costs are shown in Confidential Appendix 13.
- ii. The onus is to progress land disposals strategy quickly. The capital receipts associated with these land disposals are required to fund the delivery of other facilities within the approved International Sports Village masterplan.
- iii. The proposed move from '*fully insured and repairing*' leases to '*internal repairing*' leases would transfer the risk and liability for external fabric of building and public realm to a new Management Organisation, with tenants paying this a service charge.
- iv. The new Management Organisation is likely to be run by the Council initially. It will be important for the Council to ensure a fair and suitable balance is struck when negotiating future service charges with tenants to ensure the Council can fully cover its costs. This will be considered through an Outline Business Case to be presented back to a future meeting of Cabinet.

- v. More detailed financial implications will be provided on the Multi Storey Car Park charging strategy once more detailed proposals are brought forward for consideration.
- vi. The requirement for the Ice Arena to operate with no form of financial subsidy from the Council will be assisted by the proposals to make better commercial use of the second ice pad
- vii. Careful consideration will need to be given to the VAT implications of 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 to protect the Council's VAT partial exemption position. Further detailed VAT advice will be required on specific proposals for the future operation of these facilities as they are brought forward to Cabinet.
- viii. More detailed financial implications will be provided as and when detailed proposals are brought forward, with clear funding strategies needing to be identified to implement these proposals.

21. **Legal Implications** are at **points 59-66** and highlight:

- i. The legal basis for disposal of Council-owned land
- ii. The need for the decision maker to consider its duties with regard to the Equality Act 2010, the Public Sector Equality Duties, the Well- Being of Future Generations (Wales) Act 2015, and the Welsh Language (Wales) Measure 2011 and Welsh Language Standards

22. Point 67 states that there are no **HR implications** for the Council arising from this report.

23. **Property Implications** are at **point 68**, stating property implications are described within the report.

Proposed Recommendations to Cabinet

24. The report to Cabinet contains the following recommendations:

- 1) *Approve the disposal strategy as set out in this report in line with the independent advice attached at Confidential Appendix 2 and 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 develop detailed heads of terms to be approved at a future meeting of Cabinet.*
- 2) *Approve the preferred operator for the proposed new Velodrome facility at the International Sports Village as set out in Confidential Appendix 5 subject to the detailed due diligence set out in this report and authorise the development of a Full Business Case for the whole leisure destination including associated infrastructure in line with the costs set out in Confidential Appendix 10 and as part of this provide authority to identify an appropriate operator for the Closed Loop Circuit.*
- 3) *Approve the preferred operator for the Ice Arena as set out in Confidential Appendix 5 including the proposal for the family attraction as set out in this report and illustrated in Confidential Appendix 6, and 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 conclude suitable legal and commercial terms in line with the criteria set out in this report.*
- 4) *Note the Strategic Outline Case for the Energy Strategy for the International Sports Village attached as Confidential Appendix 12 and approve the development of an Outline Business Case to be presented back to a future meeting of Cabinet.*
- 5) *Approve in principle the proposal to establish a single management organisation for the leisure destination at the International Sports Village and authorise the preparation of an Outline Business Case in line with the strategy set out in this report and Confidential Appendices 5, 7 and 8.*
- 6) *Approve the development of an Outline Business Case to consider the options for delivery of the proposed Multi Storey Car Park including an agreement in principle to the introduction of an appropriate charging regime to be approved as part of a Full Business Case to be presented to a future meeting of Cabinet.*
- 7) *Approve the budgetary spend set out at Confidential Appendix 13 to enable the development of the various Business Cases proposed in this report and to enable the submission of planning applications as required.*

Previous Scrutiny

25. This Committee has undertaken numerous scrutinies of the International Sports Village, including scrutinies of the proposals for a Velodrome and the Multi Storey Car Park. Since 2021, this scrutiny has included:

- i. March 2021 – Velodrome and ISV Development Strategy
- ii. July 2021 – Velodrome: International Sports Village
- iii. September 2021 – ISV Update and Development Strategy
- iv. March 2022 – Cardiff Bay Regeneration Update – including updated ISV masterplan and cycling facilities.

26. Much of the information considered in the above scrutinies has been confidential and therefore Members comments, observations and recommendations on this information cannot be included here. Regarding the information in the public domain, Members have made the following points:

Velodrome – July 2021²

- i. Members request that you provide details of the plans to achieve improvements to active travel routes to the ISV site, including access from Cogan Station, the Ely trail, routes around the Cardiff Bay Retail Park and routes within the ISV site and Cardiff Bay. We are seeking reassurance that active travel is being planned into the overall improvement of the ISV site.

ISV – September 2021³

- ii. Members took the opportunity to raise again our wish for the Bay edge walkway to be both continuous and wide enough to facilitate enjoyable and safe access for the public to the water's edge. We have set out in previous correspondence our expectations and the reasons for these. Members thank officers for reiterating that it is their aspiration to provide a continuous walkway of sufficient width but that the width will depend on market conditions and site viabilities.
- iii. Regarding the Velodrome, Members acknowledge that this is not within the remit of this report. However, Committee Members have received an email from the Save Maindy velodrome campaign setting out various concerns with existing proposals. I have requested that Scrutiny Services forward this email to you and to the officers copied into this letter. Members request that, in your reply to this letter, you provide responses to the issues raised in the email.
- iv. Members note that reports on Outline Business Cases for the Closed Loop Circuit and the relocation of Motocross will be taken to Cabinet in future months.

Cardiff Bay Regeneration – March 2022⁴

² Public Letter to Cllr Goodway, dated 14 July 2021, re Velodrome

³ Public Letter to Cllr Goodway, dated 22 September 2021, re ISV

⁴ Public Letter to Cllr Goodway, dated 10 March 2022, re Cardiff Bay Regeneration Update

- i. Members are delighted that it has been possible to ensure public access around the water's edge and note the officer's assurance that this would be 15-20 metres at its narrowest. This is crucial to ensuring that residents and visitors to Cardiff Bay benefit fully and enjoy its waterfront.
- ii. Members wish to highlight the need to ensure that free facilities are promoted in Cardiff Bay, for walking, running, cycling, and swimming. Whilst we need the employment and economic benefits that flow from events and adventure tourism, we must ensure that residents and visitors are not 'priced out' of enjoying Cardiff Bay for recreational use.

Way Forward

27. Councillor Russell Goodway (Cabinet Member – Investment and Development) will be invited to make a statement. Neil Hanratty (Director of Economic Development), Chris Barnett (Operational Manager – Major Projects), and Jo-Anne Phillips (Project Manager) will attend to give a presentation and all witnesses will be available to answer Members' questions.

28. All Members are reminded of the need to maintain confidentiality regarding the information provided in **Appendices 2-3 and 5-13**. Members will be invited to agree the meeting go into closed session to enable discussion of this information.

Legal Implications

29. 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

30. 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 19 January 2023, and
- iii) Decide the way forward for any future scrutiny of the issues discussed.

DAVINA FIORE

Director of Governance & Legal Services

12 January 2023