

INTERNATIONAL SPORTS VILLAGE DEVELOPMENT: PRE-DECISION SCRUTINY

Appendices 2-5 of the Cabinet Report are not for publication as they contain exempt information of the description contained in paragraphs 14 and 16 of Part 4 and paragraph 21 of Part 5 of Schedule 12A of the Local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 Development*', which is due to be considered by Cabinet at their meeting on 13 July 2023.

Structure of papers

2. Attached to this cover report are the following appendices:
 - i. Appendix A – report to Cabinet titled '*International Sports Village Development*'
 - ii. Appendix 1 - Disposal Plan
 - iii. Confidential Appendix 2 - Legal Summary & Agreement
 - iv. Confidential Appendix 3 - Surveyors Report
 - v. Confidential Appendix 4 - Lift & Shift Option Review (Car Parking)
 - vi. Confidential Appendix 5 - Yacht Club & Boat Yard Revised Boundary Plan
 - vii. Appendix 6 - Single Impact Assessment
3. Members should note that **Appendices 2-5** 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.

Scope of Scrutiny

4. At their meeting on 13 July 2023, the Cabinet will consider a report that:

- i. seeks authority to progress the disposal strategy for the residential and commercial development plots at ISV
 - ii. seeks approval of the development of a Full Business Case to determine a long-term car parking solution
 - iii. seeks authorisation to undertake a soft market testing exercise to inform development of the Outline Business Case for the Energy Strategy.
5. 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 car parking and Energy Strategy
 - iii. Test the financial, legal, and property implications
 - iv. Test whether there are any risks to the Council
 - v. Gain an understanding of the next steps and timelines involved and
 - vi. 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 2-5**.
7. 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.
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 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.*'

10. 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.

11. In March 2021, Cabinet approved a new masterplan for the leisure component of the ISV.

12. In September 2021, Cabinet authorised the acquisition of assets owned by GPL, including the Ice Arena, to enable the existing development agreement to be terminated.

13. 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 leisure attraction to include a Closed Loop Circuit, with associated infrastructure and public realm works.

14. In January 2023, Cabinet approved a land disposal strategy, appointed 'in principle' a preferred developer to acquire the land, approved the Outline Business Case (OBC) for the sport/ leisure infrastructure, approved the appointment of operators, approved progression of a Management Organisation and Booking System, and agreed to move to Internal Repairing and Insuring lease arrangements, with the introduction of an associated service charge regime.

Issues identified in the Cabinet Report

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

- i. Overarching Issues – points 8-9
- ii. Residential and Commercial Development – points 10- 17
- iii. Cardiff Bay Yacht Club – points 18 – 20
- iv. ISV Leisure Destination – points 21- 22
- v. Transport Hub – point 23
- vi. Energy Strategy - points 24 – 27
- vii. Next Steps – points 28 – 32.

16. The main points to note are:

Issues

- i. The ISV development is required to be self-financing where the Council recovers all of its recent investment in land acquisition and will use the surplus value of land in its ownership to fund the completion of the sport/leisure attraction
- ii. The rise in interest rates is affecting the business case for investment
- iii. The intention is to bring forward successive phases of development

Residential and Commercial Development

- iv. Confidential Appendix 2 – sets out draft legal arrangements for disposal of residential and commercial plots, via a defined programme, avoiding land banking and periods of inactivity; Cabinet approval is sought for delegated authority to conclude negotiations based on this draft.
- v. Appendix 1 – the Council has agreed to dispose of land right up to the water's edge, with an obligation to remove existing cantilevered boardwalk and deliver a boulevard along the water's edge within the 8-metre reservation.

Car Parking

- vi. Confidential Appendix 2 – sets out obligation for circa 800 car parking spaces
- vii. Confidential Appendix 4 - sets out longer-term options for meeting car parking obligation; it is intended to present a Full Business Case (FBC) to Cabinet before Christmas

viii. Interim arrangements can be accommodated on the ToysRUs/ Retail 3 site
Cardiff Bay Yacht Club

ix. Confidential Appendix 5 – illustrates proposed realignment of access road and boundary

x. New boatyard to enable regular water taxi service between ISV and Mermaid Quay

ISV Leisure Destination

xi. Aim to bring a report to Cabinet before Christmas detailing how the Council intends to complete and fund the leisure destination, reducing reliance on borrowing to avoid uncertainties relating to interest rate volatility and maximising value through disposal of land and assets to raise capital.

Transport Hub

xii. Work continues to improve public transport, including bus, train, water taxi, pedestrian and cycling provision.

Energy Strategy

xiii. To enable investment by Welsh Government, the Strategy is being divided into 2 phases, with Phase One including:

i. Low carbon heat exchange system – linking International Pool and Ice Arena

ii. Installation of solar PV on existing facilities.

xiv. The next step is soft market engagement to consider delivery and operation models and to develop an OBC for investment, presented to Cabinet before Christmas, with a FBC to be presented to Cabinet in early 2024.

17. Financial Implications are at **points 34 – 40** , and highlight:

- i. Approving and implementing the disposal strategy will bring increased funding certainty to the wider project
- ii. Capital receipts from residential and commercial land disposals are required to fund other aspects of the development
- iii. Decision takers need to consider the legal advice in Confidential Appendix 2 and the surveyors report at Confidential Appendix 3 to ensure the proposal provides sufficient protection for the Council, generates best value, and can deliver the infrastructure and remediation required

- iv. Any delays in implementing the disposals strategy means the Council incurs holding costs for the site
- v. It is important a clear strategy for car parking provision is developed early to avoid any potential abortive costs
- vi. The costs associated with the development of business cases and soft market testing exercise will need to be identified by the Directorate along with suitable funding sources, prior to progressing
- vii. Future reports to Cabinet will include more detailed financial implications.

18. Legal Implications are at **points 41 - 51** and highlight:

- i. The Option Agreement for the residential and commercial plots is structured so that the transaction constitutes a land arrangement, with 250 years leases
- ii. The legal basis for disposal of Council-owned land
- iii. The legal basis for acquisition of land
- iv. The land swap with Cardiff Bay Yacht Club will be on a freehold basis
- v. The legal basis for the Council investing
- vi. The need to take account of the Council's fiduciary duties to residents and taxpayers
- vii. 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

19. Property Implications are at **points 52-57** stating:

- i. Work is ongoing to formulate the format for the management of services to be provided and the estimated service charge schedule
- ii. Confidential Appendix 3 contains details of the Heads of Terms
- iii. There are some title issues to resolve around the boundaries of the waterfront site; this is currently with Legal.

20. There are no **HR implications** in this report.

Proposed Recommendations to Cabinet

21. The report to Cabinet contains the following recommendations:

- 1) *Approve the disposal for the residential and commercial plots as set out in this report and the legal report attached at **Confidential Appendix 2** and in line with independent valuers advice attached at **Confidential Appendix 3** and the proposals 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 conclude all legal agreements to complete the disposal strategy.*
- 2) *Note the lift and shift obligation set-out at **Confidential Appendix 2** and approve the development of a Full Business Case to determine a long-term car parking solution for the ISV site to be presented back to Cabinet for approval in advance of the first call-down of land by the appointed developer.*
- 3) *Authorise a soft market testing exercise to inform the further development of the Outline Business Case for the Energy Strategy to be presented back to a future meeting of Cabinet.*

Previous Scrutiny

22. 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
- v. December 2022 - Cardiff Bay Regeneration
- vi. January 2023 – International Sports Village.

23. 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 2021¹

- 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 2021²

- 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. 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 2022³

- 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.

ISV – January 2023

¹ Public Letter to Cllr Goodway, dated 14 July 2021, re Velodrome

² Public Letter to Cllr Goodway, dated 22 September 2021, re ISV

³ Public Letter to Cllr Goodway, dated 10 March 2022, re Cardiff Bay Regeneration Update

- i. Members welcome the proposed disposals strategy for residential and commercial plots
- ii. Members welcome the proposed focus on green energy for the ISV site.

Way Forward

24. 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.

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

Legal Implications

26. 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

27. 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 13 July 2023, and
- iii) Decide the way forward for any future scrutiny of the issues discussed.

DAVINA FIORE

Director of Governance & Legal Services

05 July 2023