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## CYFLWYNIADA

**Pwyllgor** PWYLLGOR CRAFFU'R ECONOMI A DIWYLLIANT

**Dyddiad ac amser  
y cyfarfod** DYDD IAU, 9 MAI 2019, 4.30 PM

Os gwelwch yn dda gweler ynghlwm y Cyflwyniad(au) a ddarperir yn y Cyfarfod Pwyllgor

12 **Cyflwyniad** (*Tudalennau 3 - 20*)

Mae'r dudalen hon yn wag yn fwriadol



**LOCAL  
PARTNERSHIPS**

JOINTLY OWNED BY



HM Treasury



Llywodraeth Cymru  
Welsh Government

Tudalen 3

# REVIEW OF THE FUNDING ARRANGEMENTS FOR THE CARDIFF HARBOUR AUTHORITY

Howel Jones

9<sup>th</sup> May 2019

Eitem Agenda 12



## LOCAL PARTNERSHIPS

- Jointly owned by HM Treasury, the LGA and the Welsh Government
- Public sector body
- Can only work for the public sector
- Non-profit maximising
- Role includes:
  - Supporting the delivery infrastructure programmes, and change project;
  - Help the public sector achieve savings;
  - Undertake assurance reviews.



## CARDIFF HARBOUR AUTHORITY

- Cardiff Bay Barrage Act (1993)
- S.165 Agreement (2000) between Cardiff Bay Development Corporation (CBDC) and Cardiff Council
- Welsh Government subsequently assumed CBDC's rights and obligations under the Agreement
- A number of Deeds of Variations since 2000



## SCOPE OF THE REVIEW

- facilitate the six yearly review of costs (in compliance with the Section 165 Agreement)
- review of the activities undertaken by CHA (to determine if they are absolutely necessary under the Act)
- consider whether there is scope to achieve improved value for money and secure longer-term financial savings
- consider a longer term settlement period
- consider the Section 165 Agreement's existing terms and conditions (such as use of the Harbour Contingency & Project Fund);
- consider the treatment of infrastructure expenditure and to evaluate CHA's assessment of its own future asset renewal requirements
- explore opportunities for increased income generation activities
- examine current governance arrangements.



## LOCAL PARTNERSHIPS REVIEW

**We have met the following parties:**

- CHA
- Welsh Government
- Cardiff Council
- Natural Resources Wales
- Associated British Ports

**Report still needs to be completed, checked for factual accuracy and reviewed by WG and CCC before a final version can be issued.**



## EMERGING FINDINGS

### Six yearly review of costs:

- Fixed Cost Budget has reduced in cash terms:
  - 2014/5: £6.065m
  - 2019/20: £5.078m
- Minimal variances in expenditure against overall budget
- Recommend analysis of budget/expenditure by CHA function:
  - Barrage
  - Harbour Master
  - Cardiff Bay Water Activity Centre
  - Environment, Contracts & Community Liaison
  - Operational Management & Support





## EMERGING FINDINGS

### Six yearly review of costs:

- Further analysis required of:
  - Support Services £456k
  - Supplies & Services £342k
- Want to draw out expenditure on:
  - services provided by Cardiff CC business units via SLAs
  - contracted out services
  - staff



## EMERGING FINDINGS

### Review of Activities:

- In all material terms the CHA's activities are either:
  - mandated under the Act or
  - subject to a contractual obligation under the Section 165 Agreement.
- Change in the Section 165 Agreement would require approval from both WG and the Council.
- The consideration is not therefore the provision of discretionary services, but the extent/standard that the CHA discharges its activities



## EMERGING FINDINGS

### Value for Money and Savings:

- Quality of service is high
- Customer/stakeholder feedback is consistently positive
- Future savings identified (from 2020/21)
  - NRW Fish Mitigation : £135k
  - Groundwater monitoring and control: £110k
  - Dissolved Oxygen KPI £? Well managed trail would be required
  - Operation of Fish Pass on a 24/7 basis £?
  - Harbour Dues increase £?
- VFM? – No comparable benchmarks
- Cost pressures – e.g. Wrach Channel, pay-award



## EMERGING FINDINGS

### Longer-term Settlement Period:

- S165 Agreement specifies a 3 year funding agreement, last of which expired in March 2017
- Subsequently annual funding agreements, pending this finding of a review
- 3 year funding agreement needs to be re-instated, to allow for more effective service planning. Need to coincide with WG budgetary cycle.



## EMERGING FINDINGS

### Section 165 Agreement and Contingency Fund:

- Agreement needs to be consolidated given number of Deeds of Variation since 2000
- Projects and Contingency Fund:
  - Credited by capital receipts from the disposal of land which is owned by the Council as part of the CHA's undertaking, and the Council's 50% share of any savings in the Fixed Cost Budget
  - Draw-downs to fund the improvement and enhancement of infrastructure, assets, activities or services in or around the Bay
  - Balance is now £40k, reduced from £664k in April 2016
  - Continued relevance of the facility will be dependant upon the availability of future capital receipts from land disposals. Liaison with WG Estates Division required.



## EMERGING FINDINGS

### Infrastructure Expenditure & Asset Renewal:

- CHA Asset Renewal Plan submitted to WG and separate Asset Renewal budget agreed annually under the Section 165 Agreement:
  - 2017/18 £443k, 2018/19 £196k, 2019/20 £145k
- Ability to critically evaluate asset renewal plans for such specialist assets?
- Independent expert asset condition study required. Short, medium and long term asset renewal plan prepared. Funding approach assessed e.g. the need for a sinking fund?



## EMERGING FINDINGS

### Income Generation:

- Annual CHA income target set, as part of Section 165 Agreement
  - 2017/18 £820k, 2018/19 £920k, 2019/20 £993k
- Income sources (2018/9)
  - Car Parking Fees £540k
  - Harbour Dues £245k
  - CBWAC £83k
  - Other £52k
- CHA undertaken SWOT analysis, identifies some additional potential new commercial/leisure income opportunities, but not likely to generate significant income.



## EMERGING FINDINGS

### Governance:

- Quarterly and Annual Reports produced. CHA/CCC and WG officers meet to discuss on a timely basis.
- Governance is operationally focussed (not strategic) and “light-touch”
- Does WG budgetary responsibility sit within the appropriate WG directorate, as is no longer a re-generation project?
- Does the appetite exist for funding to transfer from WG to CCC, on an un-hypothecated basis (with a separate arrangement for asset renewal)? Would this better facilitate the delivery of efficiencies?





## NEXT STEPS

- Complete report
- Confirm factual accuracy with CHA
- Issue report to CHA/CCC and WG to review
- Comments received and considered
- Final report and recommendations issued



# QUESTIONS



Tudalen 18

THANK YOU



LOCAL  
PARTNERSHIPS

[localpartnerships.org.uk](http://localpartnerships.org.uk)

Mae'r dudalen hon yn wag yn fwriadol