



County Hall
Cardiff
CF10 4UW
Tel: (029) 2087 2000

Neuadd y Sir
Caerdydd
CF10 4UW
Ffôn: (029) 2087 2000

PRESENTATIONS

Committee ECONOMY & CULTURE SCRUTINY COMMITTEE

Date and Time of Meeting THURSDAY, 9 MAY 2019, 4.30 PM

Please see attached the Presentation(s) provided at the Committee Meeting

12 **Presentation** (*Pages 3 - 20*)

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REVIEW OF THE FUNDING ARRANGEMENTS FOR THE CARDIFF HARBOUR AUTHORITY

Howel Jones

9th May 2019



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



THANK YOU



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PARTNERSHIPS

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