

CARDIFF HARBOUR AUTHORITY REVIEW: UPDATE

Purpose of the Report

1. This report gives Members a summary of the information received at their last scrutiny on this matter, in May 2019, setting the scene for an update on the Cardiff Harbour Authority review report recently published by Welsh Government.

Scope of Scrutiny

2. During this scrutiny, Members have the opportunity to explore:
 - The findings of the review of the Cardiff Harbour Authority;
 - The implications of the review findings for citizens, residents, visitors, businesses, partners, Welsh Government and the Council;
 - Whether there are any risks to the Council;
 - The timeline and next steps.

Structure of the meeting

3. A panel of review stakeholders has been invited¹, as follows:
 - Councillor Peter Bradbury (Cabinet Member – Culture & Leisure)
 - Jon Maidment (Operational Manager – Cardiff Harbour Authority)
 - Mark Williams (Head of Regeneration Strategy - Welsh Government).
4. Mark Williams will outline progress with the review since May 2019 and Members will have the opportunity to put questions to the panel regarding the review findings, implications for the Council and key stakeholders and the next steps in the process. Members will then be able to decide what comments, observations

¹ Neil Hanratty, Director of Economic Development, was invited but has sent his apologies due to other commitments.

or recommendations they wish to pass on to the Cabinet for their consideration and whether further scrutiny is required.

Background

5. The Cardiff Bay Barrage Act 1993 sets the legislative framework for the Harbour Authority, outlining the main statutory responsibilities of the Harbour Authority, with other Acts also guiding service provision².

6. Whilst the Cardiff Bay Barrage Act 1993 sets out the Harbour Authority's statutory responsibilities, there is a Section 165³ agreement (with subsequent Deeds of Variation following earlier reviews) that sets out the contract between the Council and the Welsh Government regarding the Harbour Authority, in terms of obligations and funding. Welsh Ministers became responsible for paying the Council the amounts necessary to fulfil its statutory obligations under the Cardiff Bay Barrage Act 1993. This funding is ring-fenced and may only be spent on Cardiff Harbour Authority-related activities.

7. Operationally, the Harbour Authority is responsible for the management of the Barrage and the Bay, including the rivers Taff and Ely up to the weirs at Blackweir and the former Arjo Wiggins site respectively. The Authority is also responsible for maintaining water quality and environmental management. More specifically, responsibilities include:
 - Operation and maintenance of the barrage, which provides a flood defence structure.
 - Environmental management of Cardiff Bay.
 - Operation and maintenance of the Pont-Y-Werin Bridge.
 - Land areas of the Roald Dahl Plass (Oval Basin), Graving Docks, public car park adjacent to the St. David's Hotel & Spa and barrage car park.
 - Directly managing the Cardiff Bay Water Activity Centre, Cardiff International White Water facility and the Norwegian Church Arts Centre.

² These include Environment Act 1995, Environmental Protection Act 1990, Docks & Harbours Act 1966, Harbours Act 1964, Salmon and Freshwater Fisheries Act 1975 and several others.

³ Section 165 of the Local Government, Planning and Land Act 1980

- Raising the profile of Cardiff Bay as a visitor attraction and educational resource locally, nationally and internationally.
- Running an annual programme of events.

Review

8. In December 2018, the Welsh Government issued a written statement⁴ to inform members of the National Assembly that they had agreed with Cardiff Council to undertake a review of Cardiff Harbour Authority, setting out that:

'The review will consider the current arrangements for funding and managing the Cardiff Bay Barrage, the inland lake and the outer harbour under the agreement between the Welsh Ministers and Cardiff County Council (Cardiff CC). The review will be undertaken by Local Partnerships (a joint venture owned by HM Treasury, the Local Government Association and the Welsh Government).'

9. The written statement goes on to say:

'A key element of the review will be to consider whether there is scope to achieve improved value for money in the delivery of the statutory harbour authority functions including a means of securing longer-term financial savings and opportunities for increased income generation activities. It will also include a review of the Agreement's existing terms and conditions to take into account operational requirements and risk.'

'The Authority plays a crucial role in ensuring that Cardiff Bay is managed efficiently and effectively. With the support of Cardiff County Council, it has helped to establish the Bay and associated facilities as a unique public amenity worthy of forward looking capital city. The review is designed to ensure that we have sustainable arrangements in place to enable the Authority to carry on performing this role into the future.'

10. The emerging findings from this review were presented to Committee at their meeting in May 2019 and included:

- Fixed cost budget has reduced by circa £1M from 2014/15 to 2019/20
- CHA activities are all either mandated by the Act or included in the s165 agreement

⁴ Available at: <https://gov.wales/written-statement-cardiff-harbour-authority-review>

- Service provision levels are high quality, with consistently positive feedback from customers
- Appropriate savings have been identified for 2020/21
- Projects and Contingency Fund has reduced from £664K in April 2016 to £40K in May 2019
- There are annual income targets for CHA, which have been met. There is little room to increase these significantly.
- Governance arrangements are operationally focused and light touch.

11. In May 2019, Local Partnerships recommended further analysis of budget and expenditure by CHA function, further analysis of costs for Support Services and Supplies and Services, and further analysis of expenditure on SLA services provided by Cardiff Council and contracted out services, as well as staffing.

12. The Local Partnerships presentation to Committee in May 2019 highlighted the following key points likely to result in recommendations:

- Section 165 agreement needs to be consolidated given the number of Deeds of Variation since 2000; change in the Section 165 Agreement would require approval from both WG and the Council.
- Consideration needs to be given to:
 - i. the extent/standard that the CHA discharges its activities
 - ii. cost pressures – e.g. Wrach Channel, pay-award
- The 3-year funding agreement needs to be re-instated, to allow for more effective service planning; this needs to coincide with WG budgetary cycle.
- The continued relevance of contingency fund will be dependent upon the availability of future capital receipts from land disposals. Liaison with WG Estates Division required
- An independent asset condition study is required and short, medium and long-term asset renewal plans need to be prepared. The long term funding approach needs to be assessed e.g. is there a need for a sinking fund?
- Consideration needs to be given to:
 - i. which WG directorate has responsibility for the CHA, as it is no longer a regeneration project.
 - ii. whether to transfer funding from WG to CCC, on an un-hypothecated basis – would this better facilitate the delivery of efficiencies?

13. Local Partnerships highlighted that the next steps would be to confirm factual accuracy and issue the draft report to stakeholders for review, prior to finalising and publishing the report and recommendations.

Review Report

14. The final review report has recently been published and is available at **Appendix A** and on the Welsh Government website at

English: <https://gov.wales/cardiff-harbour-authority-report>

Welsh: <https://llyw.cymru/awdurdod-harbwr-caerdydd-adroddiad>

15. The Deputy Minister for Housing and Local Government has also issued a Written Statement on the Cardiff Harbour Authority Review which is available at:

English: <https://gov.wales/written-statement-report-cardiff-harbour-authority-review>

Welsh: <https://llyw.cymru/datganiad-ysgrifenedig-adroddiad-ar-yr-adolygiad-o-awdurdod-harbwr-caerdydd>

16. There is a summary of the findings and recommendations at **Pages 32-35, Appendix A**. These include the points presented to Committee in May 2019 and listed above at **points 10 & 12** as well as the following:

Further Findings

- Approximately £500,000 of the Facilities Maintenance and Barrage Maintenance budgets could be capitalised as it relates to maintenance and renewal of the barrage and bay area
- Cardiff Harbour Authority provides a high-profile location to host significant events, such as the Volvo Ocean Race and the International Food and Drink Festival, which contribute to WG and Council strategic objectives. With reductions going forward in the Events budget, such events will now need to be self-funding, which may reduce the extent to which the CHA's activities contribute to such ambitions.

Further Recommendations

- That the CHA's suggestions relating to the following be investigated. Each would require a well-managed trial in order to ensure that there is no detrimental impact to the environment or fish welfare:
 - The potential to operate the fish pass on a more targeted basis aligned to its use, which could release savings of c. £10,000 per annum, depending upon the actual operating hours;
 - The relaxation of KPI1 "Percentage of readings of dissolved oxygen in Cardiff Bay that achieve a reading of 5 milligrams per litre of dissolved oxygen or greater". It is not possible to quantify the extent of such savings until discussions have taken place to determine what revised KPI, if any, NRW would find acceptable
- That there is further refinement of the CHA budget, with disaggregation of the entire CHA budget to correspond with its functions, such that the net cost of undertaking each becomes apparent.

- That CHA governance be enhanced through more senior WG and Council attendance on an annual basis, thus facilitating more strategic discussions including formal approval of the annual business plan.
- That a CHA risk register be prepared, with risks, identified, allocated to the appropriate individual and mitigation measures put in place and monitored

Previous Scrutiny

17. This Committee has undertaken two detailed inquiries on Cardiff Harbour Authority, in 2006 and 2010, in order to inform discussions with Welsh Government regarding their reviews and the best way forward.

18. The first inquiry (*The future of Cardiff Harbour Authority, 2006*) made 11 recommendations including the preference for the Council to continue with the Harbour Authority Contract. The majority of the recommendations were accepted by the Executive and used to inform negotiations with Welsh Assembly Government.

19. The second inquiry (*Cardiff Harbour Authority, 2010*) was in response to a Welsh Assembly Government review into the affordability of the Authority. The report put forward twelve recommendations to the Executive relating to the Welsh Assembly's review of affordability, ten of which were accepted and two partly accepted.

20. In May 2019, Members considered emerging findings from the current review. The letter resulting from these considerations is attached as **Appendix B**, with the response received from Councillor Bradbury, Cabinet Member Culture & Leisure, attached as **Appendix C**.

Way Forward

21. Councillor Peter Bradbury (Cabinet Member – Culture & Leisure) will be invited to make a statement. Mark Williams (Welsh Government) will provide a brief verbal update on progress with the review since May 2019. Councillor Peter Bradbury (Cabinet Member – Culture & Leisure), Jon Maidment (Operational Manager) and

Mark Williams (Welsh Government) will be available to answer Members' questions on the Cardiff Harbour Authority review findings.

Legal Implications

22. 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

23. 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.

RECOMMENDATIONS

The Committee is recommended to:

- i) Consider the information in this report 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; and
- iii) Decide the way forward for any future scrutiny of the issues discussed.

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10 January 2020