

## **AUDIT COMMITTEE REPORT (2) 01-03: CONTINUING THE REGENERATION OF CARDIFF BAY**

### **The Welsh Assembly Government's response to the Recommendations of the Audit Committee following the presentation of their report on 24 July 2003**

The Assembly Government welcomes this report and offers the following response to its conclusions and recommendations.

The Permanent Secretary will arrange for this response to be copied to Senior Assembly staff, other Assembly Accounting Officers and the Accounting Officers of Assembly Sponsored Public Bodies for consideration and the implementation of relevant action flowing from the Committee's recommendations.

**i) we recommend that the Assembly review the standard audit clauses in contracts and grant agreements that deal with access rights for the Auditor General to ensure that they are sufficiently specific and robust. We also expect the Assembly Government to respond robustly if the full access rights of its auditors and inspectors are challenged in a similar way in the future;**

Agreed. The Assembly guidance on the Terms & Conditions for Grants and Contracts specify that: *"The rights of access for the Auditor General for Wales are reserved. Under the Government of Wales Act 1998 the Auditor General for Wales has the right to examine for economy, efficiency and effectiveness those activities for which grant is expressly provided."* *The Public Audit (Wales) Bill, the U.K. Parliamentary timetable allowing, includes provisions to enhance the Auditor General's statutory rights of access.*

**ii) we recommend that all agreements and contracts involving grants or similar payments by the Assembly are absolutely clear that grant will be paid to fund relevant expenditure as it is incurred, and not in advance of need;**

Agreed. The Assembly guidance on the Terms & Conditions for grants and contracts specify the way that the release of funds will be triggered. Usually this is at set intervals based on either receipt of invoices for certified expenditure or claims certified by the organisations' auditors. Initial payments in advance are only approved in exceptional circumstances e.g. for a small voluntary body to ensure it is able to deliver a project. Remaining payments are then based on expenditure incurred, taking account of the initial payment.

**iii) we expect the Assembly Government to ensure that in the future, funding agreements like the Section 165 agreements with Cardiff County Council are supported from the outset by a suitably detailed financial agreement, and that any issues that are left for later resolution are monitored closely and resolved as quickly as possible;**

Agreed. Although there were exceptional circumstances in the case of the agreements with Cardiff Council, it is already normal practice to seek to have appropriate financial agreements in place at the outset.

**iv) We recommend that the Assembly do everything in its power to finalise arrangements for the audit and to ensure that it is completed quickly.**

Agreed. The Certificate Instructions (which set out the scope of the audits and the tests to be carried out), in respect of the grant payments to Cardiff County Council, have now been agreed and issued. The Audit Commission's appointed auditors have already undertaken much of the audit work and are giving top priority to completing the audit of the first two financial years (2000-01 and 2001-02) by the end of October 2003. Assembly Government officials will work closely with the Audit Commission to ensure that Certificate Instructions for the third year and subsequent years are issued on time.

**v) We urge the Assembly to use its best endeavours to ensure that all regeneration activity by the successor bodies is undertaken in the context of an agreed strategy for the Cardiff Bay area with clear targets and priorities. We also expect project proposals funded directly by the Assembly to be approved in advance of expenditure being incurred.**

In July 1997, following a period of consultation, the Government of the day determined that Cardiff Bay Development Corporation (CBDC) should be wound up and that the area's special status and support should come to an end. As indicated in the Assembly Government's response to the Committee's previous Report (03-02 'Securing the Future of Cardiff Bay'), from March 2000 Cardiff and Vale Councils regained responsibilities for economic, social and environmental regeneration for the whole of their areas including that covered by CBDC with access, as elsewhere in Wales, to the services of the Welsh Development Agency and other organisations. The latter would, of course, include the Assembly Government's various programmes and schemes.

The Assembly Government maintains a keen interest in developments in the Cardiff Bay area. Assembly officials will continue to work closely with each successor body to CBDC – including the Welsh Development Agency (WDA) which inherited CBDC's developable assets and responsibility for the Bute Avenue PFI project - to monitor their obligations under the 's165 Agreements'. Meetings with successor bodies also cover wider issues relating to regeneration in the Cardiff Bay area. There are also meetings between senior Assembly Government officials and senior Council officers which cover a range of issues, including Cardiff Bay. The forthcoming evaluation of how the regeneration of Cardiff Bay has progressed since the wind-up of CBDC, will also be important.

Cardiff Council, under the s165 Agreements, inherited limited Assembly Government funded regeneration responsibilities. After the capital payment of £5.95m for land at Ferry Road, the Council effectively had a regeneration fund

of £0.150m. The Council also received funding of just under £5 million to complete some planned or incomplete projects inherited from the CBDC. An amalgamated Regeneration/Project fund Programme for 2000-01 to 2002-03 was agreed with Cardiff. For information, this programme, in addition to covering the regeneration/project fund expenditure, included a list of projects the Council has carried out or had planned in its own right to help communities in the Bay area.

Any expenditure not covered by the s165 Agreements requires Assembly Government approval before it can be incurred.

**vi) We recommend that the Assembly reviews recent guidance on evaluation and reflects it as far as possible in the specification for the forthcoming review of public investment in Cardiff Bay. The review should be as comprehensive as possible to assessing the wider impact on Wales; and**

Agreed. In drawing up the specification the Assembly Government is taking account of recent guidance on evaluation including, "Appraisal and Evaluation in Central Government (The Green Book)". We also agree that the evaluation should assess the wider impact on Wales and this too will be reflected in the specification.

**vii) We look to the Assembly Government for assurance that the forthcoming review of public investment in Cardiff Bay will be primarily about analysing rather than collecting the necessary performance data. We also recommend that the Assembly Government allocates responsibility for monitoring each of the main targets to the successor bodies best placed to collect the necessary information, and that the overall results are collated centrally to inform future strategy.**

The forthcoming review will indeed focus mainly on analysis of the efficacy/effectiveness of public investment rather than data gathering. Assembly Government officials will hold discussions with the relevant successor bodies to establish how best to monitor and report outputs against the main CBDC targets in the future.

**viii) We recommend that as part of its oversight the Welsh Assembly Government take steps to ensure that underspends are ring-fenced for future investment in Cardiff Bay.**

Agreed. The Assembly Government will continue to ensure that underspends are ring-fenced for the future benefit of Cardiff Bay through effective on-going monitoring arrangements.