

## **THE NATIONAL ASSEMBLY FOR WALES: AUDIT COMMITTEE**

**REPORT (2) 01-03 – Presented to the National Assembly for Wales on 24 July 2003 in accordance  
with section 102 (1) of the Government of Wales Act 1998**

### **CONTINUING THE REGENERATION OF CARDIFF BAY**

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## INTRODUCTION

1. In this report we examine the operation of the succession arrangements for Cardiff Bay following the winding-up of the Cardiff Bay Development Corporation on 31 March 2000. This is the third of the three reports that we plan to present to the Assembly about the regeneration of Cardiff Bay. In our first report<sup>1</sup>, we concentrated on the construction of the Cardiff Bay Barrage, the centrepiece of the Development Corporation's activities. Our second report examined the wind up of the Cardiff Bay Development Corporation<sup>2</sup>. This report is based on an examination of the first year of the succession arrangements undertaken by the Auditor General for Wales<sup>3</sup>. We also took evidence from Assembly officials who were involved in the management or oversight of the succession arrangements:
  - Jon Shortridge, the National Assembly's Permanent Secretary;
  - David Richards, the National Assembly's Principal Finance Officer;
  - Emyr Roberts, head of the National Assembly's Economic Development Division;
  - Keith Parsons, head of the branch within the Economic Policy Division that is responsible for Cardiff Bay.
2. We sought additional assurance from the Auditor General about the operation of the succession arrangements with respect to Cardiff County Council, which declined to grant unfettered access to the Auditor General's staff as they prepared the report. The Auditor General's letter to the Chair of the Committee<sup>4</sup> provided us with the additional information that we needed to complete our report and also provided an update on the financial position now that almost three years has elapsed since the succession arrangements began to operate.
3. Our report focuses on three broad areas:
  - the issue of audit access to Cardiff Harbour Authority;
  - the Assembly's role in controlling the overall operation of the succession arrangements, including monitoring and evaluation; and
  - a brief review of the cost, financial performance and main operational aspects of the successor bodies.

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<sup>1</sup> Audit Committee *The Cardiff Bay Barrage* Committee Report 01-01, 15 February 2001

<sup>2</sup> Audit Committee *Securing the Future of Cardiff Bay* Committee Report 03-02, 16 March 2002

<sup>3</sup> Report by the Auditor General for Wales *Continuing the Regeneration of Cardiff Bay*, presented to the National Assembly for Wales on 9 May 2002

<sup>4</sup> Letter dated 25 March 2003 from the Auditor General for Wales to the Chair of the Audit Committee (Annex B)

## Access of the Auditor General for Wales to Cardiff Harbour Authority

4. Cardiff County Council (of which the Harbour Authority is a part) did not grant direct access to the Auditor General's staff while they were preparing the report, so they were unable to meet officials or examine documents at the Harbour Authority<sup>5</sup>. The Auditor General considered that he had enough evidence from other sources to finalise his report<sup>6</sup>, and both the Assembly's accounting officer and Cardiff County Council's chief executive had commented on the draft report and were content with the factual accuracy of the final version<sup>7</sup>. It was on this basis that we agreed to take evidence on the report, although we were concerned that the Auditor General's access had been limited in this way and that important material may have been omitted as a result<sup>8</sup>.
5. Since our hearing in May 2002, the Assembly has reached an agreement with the Council on the Auditor General's access rights. This included the National Audit Office Wales (acting on behalf of the Auditor General) attending the liaison meetings that are held regularly between officials of the Assembly and the Harbour Authority. The Auditor General was satisfied with this arrangement, and has exercised these access rights on three occasions as well as reviewing information supplied by the Harbour Authority to the Assembly Government. As a result, he is satisfied that his original report was complete and contained no material omissions<sup>9</sup>. We are content to issue our report now that we have this assurance.
6. Nevertheless, we are very disappointed that it took so long to reach this agreement and that the Auditor General did not have the benefit of these access rights while he was preparing his report. In our earlier report on the wind-up of the Cardiff Bay Development Corporation we emphasised the importance we attached to the Auditor General having an unfettered right of access to the books and records of the Cardiff Harbour Authority in accordance with the relevant Section 165 agreement, and the Permanent Secretary promised to use his good offices to ensure that access would be granted in a way that was satisfactory to all parties<sup>10</sup>. The Permanent Secretary explained what he and his officials had done to make good this promise and we note the extensive efforts that were made over more than a year to secure an agreement<sup>11</sup>. We accept that the Permanent Secretary did everything he reasonably could to obtain a successful outcome, and that

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<sup>5</sup> Q3

<sup>6</sup> Q33

<sup>7</sup> Q36

<sup>8</sup> Qs39, 45 to 48

<sup>9</sup> Letter from the AGW to the Chair of the Audit Committee (Annex B) paragraph 3

<sup>10</sup> Audit Committee *Securing the Future of Cardiff Bay* Committee Report 03-02, March 2002, paragraph 18

<sup>11</sup> Q3

other controls were in place to provide a degree of assurance to him as Accounting Officer – although not the key control of an independent audit<sup>12</sup>. We are pleased that a satisfactory agreement has now been reached and we hope that this problem will not arise again.

7. At the heart of the problem was Cardiff County Council’s interpretation of the Section 165 agreement, which requires the Council to provide “reasonable access” to the Auditor General. The Council felt that the Auditor General should work through the Council’s own appointed auditor (District Audit, now part of Audit Commission Wales) without direct access of his own<sup>13</sup>. The Council stuck to this position despite repeated requests from the Assembly to reconsider. We accept that the Auditor General should use the services of an organisation’s own external auditor when this is appropriate and practical, and should in no way undermine their position. It is in everyone’s interest to maintain an open and constructive relationship between central and local government and to avoid unnecessary overlap and duplication of audit work. But it does not follow that an organisation that receives public money from the Assembly should be able to prevent the Assembly’s nominated auditor from examining that expenditure directly if he or she considers it necessary to do so. This is an essential principle and we are relieved that the Permanent Secretary is not aware of any other cases in which local authorities or other bodies have sought to question it<sup>14</sup>.
8. Given the importance of the principle we are concerned that the wording of the relevant clause in the Section 165 agreement is unduly loose. “Reasonable access” is plainly open to wide interpretation. We would prefer similar clauses in such agreements to be more specific and to state that the Auditor General does have the right of direct access to the books and records of organisations which receive public money for specific purposes. This is wholly consistent with the Sharman Report<sup>15</sup>, which recommended that the Comptroller and Auditor General should have access to the records of all bodies receiving grants and contracts from the Government. The application of this report to the Auditor General for Wales has already been accepted by the Assembly Government. **We therefore 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.**

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<sup>12</sup> Qs 20, 39

<sup>13</sup> Qs 6, 19, 44

<sup>14</sup> Q24

<sup>15</sup> *Holding to Account: The Review of Audit and Accountability for Central Government* (February 2001) Report by Lord Sharman of Redlynch

## The role of the Assembly Government

9. The Assembly Government monitors and oversees the successor organisations, funds the specific functions that were transferred to them from the Cardiff Bay Development Corporation, and underwrites those liabilities that were either unforeseen or unquantifiable when the Corporation was wound up<sup>16</sup>. It is crucial that the Assembly Government is properly resourced to undertake these vital roles, and we are pleased that it reviewed and strengthened its staffing and support structure after problems arose in the first year of operation because of staff shortages<sup>17</sup>. We are also gratified that the branch dealing with Cardiff County Council, which inherited most of the responsibilities from the Corporation, remains fully staffed<sup>18</sup> and we look to the Assembly Government to ensure that this remains the case.
10. The Assembly Government has established a framework of controls to ensure that it is exercising adequate oversight of the successor bodies, which is summarised in the Auditor General's report and his recent update to the Chair of the Committee<sup>19</sup>. The Permanent Secretary assured us that the administrative arrangements were working well and did not indicate that any serious problems had arisen<sup>20</sup>. The Auditor General concluded that the control framework was sound and is operating effectively on a day to day basis, but that there have been delays and problems in implementing some key aspects relating to Cardiff County Council<sup>21</sup>. We consider some of these key issues below.

### Drawdown of grant

11. Cardiff County Council claimed a large amount of grant - £3.3 million - for the Harbour Authority in March 2001 in accordance with the financial profile in the Section 165 agreement, but did not spend most of it for several months<sup>22</sup>. This provided the Council with an opportunity to earn interest on the Assembly's money, which had been provided in advance of need – a practice that is against government accounting rules and good practice.
12. The Permanent Secretary told us that the situation arose because the Assembly and the Council had different interpretations of the Section 165 agreement as it related to grant drawdown. The Council thought that it was entitled to draw down in accordance with the profile, whereas the

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<sup>16</sup> AGW Report *Continuing the Regeneration of Cardiff Bay* paragraph 2.3

<sup>17</sup> Q55; AGW Report *Continuing the Regeneration of Cardiff Bay* paragraph 2.13

<sup>18</sup> Letter dated 25 March 2003 from the Auditor General for Wales to the Chair of the Audit Committee (Annex B), paragraph 14

<sup>19</sup> AGW Report *Continuing the Regeneration of Cardiff Bay* Figure 2.3 and letter dated 25 March 2003 from the AGW to the Chair of the Audit Committee (Annex B) paragraph 14

<sup>20</sup> Q3

<sup>21</sup> Letter dated 25 March 2003 from the Auditor General for Wales to the Chair of the Audit Committee (Annex B) paragraph 13

<sup>22</sup> AGW Report *Continuing the Regeneration of Cardiff Bay* Figure 2.4

Assembly believed that the drawdown had to be informed by the profile but on the basis of actual expenditure. Assembly officials believed initially that the unusually large claim was justified to fund major capital projects such as bay dredging and oxygenation, and the difference of interpretation only came to light several months later as a result of standard monitoring activity after the financial year-end. The Council and the Assembly Government were unable to agree on a solution by the end of 2001 so the Assembly withheld further payments to the Council until the unspent grant had been exhausted. The Permanent Secretary assured us that agreement had been reached with the Council that it would not draw down money in advance of need<sup>23</sup>, and the Auditor General has confirmed that this has been written into the financial memorandum<sup>24</sup>.

13. It is a matter of considerable concern that the principal agreement governing the operation of the Cardiff Harbour Authority should be open to interpretation on such a basic issue as the timing of grant payments. The Permanent Secretary acknowledged that this lesson had been learned<sup>25</sup>. **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.** No public body should be able to build up large cash reserves using the Assembly's money, especially if this gives it an opportunity to earn interest and thereby gain an unwarranted financial advantage.

Financial memorandum

14. The Section 165 agreements set out the roles and responsibilities of each successor body, but these need to be supplemented by a more detailed financial framework<sup>26</sup>. In the case of the successor bodies that are local authorities, and therefore outside the Assembly's direct control, this is agreed in a Memorandum of Conditions of Funding (financial memorandum). The Vale of Glamorgan Council agreed a financial memorandum with the Assembly in January 2001, but the two financial memoranda for Cardiff County Council (one for the Harbour Authority and one for non-developable assets) were not signed by the Assembly until 21 and 24 March 2003 respectively, pending approval by the Harbour Authority cabinet on 2 April 2003<sup>27</sup>.
15. The Permanent Secretary told us that the delay had occurred because two elements had been in dispute: the timing of grant payments and the treatment of Value Added Tax (VAT). Although the VAT issue had yet to be resolved, there was no reason why this could not be dealt with separately at a later date so that the funding memorandum could not be signed quickly<sup>28</sup>. Given

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<sup>23</sup> Q48

<sup>24</sup> Letter dated 25 March 2003 from the Auditor General for Wales to the Chair of the Audit Committee (Annex B)

<sup>25</sup> Q49

<sup>26</sup> AGW Report *Continuing the Regeneration of Cardiff Bay* Figure 2.4

<sup>27</sup> Letter dated 25 March 2003 from the AGW to the Chair of the Audit Committee (Annex B)

<sup>28</sup> Q58

this sensible response, we are disappointed that it has taken a further ten months – until March 2003 – finally to sign the financial memoranda, almost three years after the Council acquired responsibility for the Harbour Authority and non-developable assets. We recognise that officials had been working to draft memoranda and that most of the conditions had effectively been agreed. However, it is simply unacceptable for over £45 million of public money to be dispensed by the Assembly without a suitably detailed financial framework being formally agreed. It exposes the Assembly to unnecessary risks, as the dispute with Cardiff County Council over the drawdown of grant demonstrates. **We expect the Assembly Government to ensure that future funding agreements of this kind 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.**

16. Despite these misgivings, we are pleased that the financial memoranda have now been agreed and that the difficult issues of grant drawdown and the treatment of VAT have been resolved satisfactorily. The memoranda confirm that the Council will not claim grant in advance of need and will claim only for irrecoverable VAT. More generally, the memoranda confirm what was already stated in the Section 165 agreements, that the Assembly's funding will be entirely for the benefit of Cardiff Bay and that savings arising from underspends on the fixed cost budgets will be reinvested to support regeneration in the Bay. We welcome this assurance and we expect the future management arrangements of the Harbour Authority to reflect this important principle.

#### Audit

17. A central part of the control framework for the two local authority successor bodies is the requirement for an independent annual audit to provide assurance that the expenditure funded by the grants has been correctly reported and properly incurred. Under the terms of the financial memoranda, these audits should be completed by each Council's appointed auditor (currently Audit Commission Wales) by 31 December after the end of the financial year to which it relates. Although the Vale of Glamorgan Council has submitted unqualified audit certificates on time for 2000-01 and 2001-02, no audit has yet been completed for Cardiff County Council because the relevant financial memoranda, which determine the scope of the audit, have been signed only very recently by the Assembly and have not yet been signed by the Council<sup>29</sup>.
18. The Permanent Secretary acknowledged at the hearing that the delay was a serious matter as the absence of an independent audit reduced the assurance that he was able to take from the existing controls, all of which rely on information supplied by the Harbour Authority<sup>30</sup>. While there is no

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<sup>29</sup> Letter dated 25 March 2003 from the AGW to the Chair of the Audit Committee (Annex B), paragraph 12

<sup>30</sup> Q54

reason to believe that this information is seriously deficient in any respect, we are very uneasy that almost three years has elapsed, and £46 million has been paid to the Council by the Assembly Government, without an independent audit of the expenditure. In our opinion the risk is heightened by the complexity of the Section 165 agreements with the Council and the disputes that have arisen over grant drawdown and audit access. We are glad that audit work has begun, and endorse the Auditor General's view that its completion is an urgent priority. The audit itself is a matter for the Audit Commission, but the Assembly Government has a key role of agreeing the certification instructions that set out the scope of the audit work and the tests to be carried out<sup>31</sup>. **We view the delay in producing audited accounts as unacceptable and we expect the Welsh Assembly Government to finalise arrangements for the audit and to ensure it is completed with immediate effect.**

### Regeneration programme

19. The Assembly Government is providing transitional funding of £12 million for Cardiff County Council to continue regeneration work in the Bay and to complete projects that were not finished by the Cardiff Bay Development Corporation. These two elements have been combined into a single programme to be agreed between the Council and the Assembly Government<sup>32</sup>.
20. At the time of our hearing, the Assembly Government had only just received the regeneration programme from the Council and had not had time to evaluate it fully<sup>33</sup>. The Permanent Secretary acknowledged that the programme was late, but drew attention to the pressing concerns that had occupied the Harbour Authority's attention in its first year – notably the operation of the Barrage and the completion of freshwater impoundment<sup>34</sup>. The Assembly Government approved the first two years of the regeneration programme retrospectively in March 2003, but has withheld approval for 2002-03 pending the resolution of outstanding issues. As yet, there are no detailed proposals for 2002-03<sup>35</sup>.
21. We are very disappointed that a full regeneration programme has yet to be agreed when the transition period to which it relates is now almost over. We acknowledge that urgent operational issues may have had to take priority in the first year of the Harbour Authority's existence, but that period is now well behind us and we consider that a formal programme should have been agreed by now, even if it needed to reflect uncertainties surrounding some of the proposals. We look forward to the early agreement of a comprehensive programme, which reflects fully the

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<sup>31</sup> Letter dated 25 March 2003 from the AGW to the Chair of the Audit Committee (Annex B), paragraph 12

<sup>32</sup> AGW Report, *Continuing the Regeneration of Cardiff Bay*, paragraph 3.10

<sup>33</sup> Q135

<sup>34</sup> Qs 135, 136

<sup>35</sup> Letter dated 25 March 2003 from the AGW to the Chair of the Audit Committee (Annex B), paragraph 15

recommendations that we made in our report on *Securing the Future of Cardiff Bay* – that all proposals should indicate how they will achieve the Assembly’s strategic goals for Cardiff Bay and that there are agreed measures of performance that allow effective monitoring of the progress being made<sup>36</sup>. We are also keen for additional regeneration expenditure by Cardiff County Council (funded from savings on VAT and fixed cost budgets) and the Welsh Development Agency to be included in such a programme. We appreciate that the Assembly Government only has a consultative role in the Council’s plans for its savings<sup>37</sup>, but the amount of money being invested in Cardiff Bay suggests to us that a clear strategy needs to be agreed between the partners that are working to regenerate Cardiff Bay. **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 and that there are proper arrangements in place to identify and manage the risks associated with the regeneration of the Cardiff Bay area.**

#### Evaluation

22. We welcome the Assembly Government’s acceptance of the recommendation in our last report on Cardiff Bay that a thorough evaluation should be undertaken of the public investment in Cardiff Bay<sup>38</sup>. The Auditor General has confirmed that the specification for the review is now being prepared, and we look forward to the publication of its results<sup>39</sup>.
23. The main objective of the review will be to assess progress in meeting the five main targets of the Cardiff Bay Development Corporation, which cover private sector investment, non-residential development, jobs, housing units and public open space. We agree that these targets should be the focus of any review because they were established at the outset as a means of measuring the success of the programme for regenerating Cardiff Bay. However, we believe that the evaluation should go beyond this and consider the wider impact on the region. A full evaluation would assess how much of the investment and job creation would have occurred anyway either in the Bay or elsewhere in Wales, or to what extent they have been displaced from other areas. It is this net impact that is crucial in assessing the value for money of the investment in Cardiff Bay. We appreciate that these questions are difficult to answer and that outcomes are not always measurable, especially in subjective areas like environmental improvement. But the amount of money invested in the Bay, and the controversy that has sometimes surrounded it, in our opinion

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<sup>36</sup> Committee Report, *Securing the Future of Cardiff Bay*, recommendation (ix)

<sup>37</sup> Letter dated 25 March 2003 from the AGW to the Chair of the Audit Committee (Annex B), paragraph 16

<sup>38</sup> Committee Report, *Securing the Future of Cardiff Bay*, recommendation (iv)

<sup>39</sup> Letter dated 25 March 2003 from the AGW to the Chair of the Audit Committee (Annex B), paragraph 19

make it imperative to carry out a full-scale evaluation that covers these issues. This should have regard to current guidance on good practice in evaluation, for example the recently re-issued “Green Book” on evaluation and economic appraisal in central government<sup>40</sup>. **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 in assessing the wider impact on Wales.**

24. We are concerned that the Section 165 agreements did not task any of the successor bodies with collecting data on performance against the five main regeneration targets<sup>41</sup>. The Permanent Secretary told us that it was not possible for any one successor body to be held responsible for meeting the targets. This is true, but it does not follow that the collection and monitoring of data cannot be allocated to the successor body best placed to do it. Each of the successor bodies has specific responsibilities and it should be possible to allocate responsibility for monitoring each of the main targets, and for the Assembly to collate this information and monitor progress on an ongoing basis<sup>42</sup>. Monitoring key performance indicators is a basic element of good programme management and we are surprised and disappointed that it has not been written into the Section 165 agreements. The Permanent Secretary assured us that performance information was received from the Welsh Development Agency, but it was not clear how comprehensive this was<sup>43</sup>. We are concerned that the planned evaluation is able to focus on analysing data that has already been collected, rather than having to collect it first. **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 the overall results are collated centrally to inform future strategy.**

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<sup>40</sup> HM Treasury: *Appraisal and Evaluation in Central Government*, January 2003

<sup>41</sup> AGW Report *Continuing the Regeneration of Cardiff Bay*, paragraph 2.14

<sup>42</sup> Qs 63, 67

<sup>43</sup> Q64

## The cost, financial performance and operations of the successor bodies

25. The original budget for the first five years of the succession arrangements was £99.8 million, of which £72.8 million was for Cardiff County Council. At the time of our hearing, this budget had increased slightly to £102 million<sup>44</sup>. The Permanent Secretary told us that the Assembly was on course to manage within this budget, but emphasised that he could not guarantee that it would not be breached because unexpected problems could arise in the future. The Assembly Government retained the ultimate liability for funding any costs that arose from unforeseen risks. At the time of our hearing these were less than £2 million and Assembly officials hoped that they would be covered by savings in other areas, so that the overall budget would not need to increase<sup>45</sup>.
26. We questioned officials on the more detailed aspects of the budget, especially on the funding caps that had been set for key elements of the Cardiff Bay programme: the Barrage (£220 million)<sup>46</sup>, the Gwent Levels Wetland Reserve (previously £10.4 million, now £11.3 million)<sup>47</sup>, the facilities management functions of the Harbour Authority that would have been undertaken by Thames Water plc (£19.3 million)<sup>48</sup> and the Penarth Link (£7.5 million). Officials were confident that expenditure by the Assembly would remain within budget for all of these elements, although the Vale of Glamorgan Council has carried out a detailed feasibility study for the Penarth Link which supports a preferred scheme costing £13.5 million. The Assembly's contribution, however, is limited to £7.5 million<sup>49</sup>. The Auditor General's update on the successor bodies generally confirms this financial position, although the Wetland Reserve is likely to exceed its budget because of legal problems, while unforeseen costs for the Harbour Authority have risen by a modest amount to £2.5 million.<sup>50</sup>
27. We welcome this assurance that costs are generally being contained within budget. We note the confirmation from the Head of the Economic Policy Division that all additional claims are scrutinised carefully and that only those for which the Assembly is legally liable are approved<sup>51</sup>. We would like to see the Assembly's liability for unforeseen costs minimised to the greatest extent possible, although we accept the Permanent Secretary's point that it is not possible to transfer unquantified and potentially very large liabilities to a local authority<sup>52</sup>. We hope that the Assembly will take the opportunity afforded by the review of the management arrangements of

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<sup>44</sup> AGW Report *Continuing the Regeneration of Cardiff Bay* Figure 2.1 and paragraph 2.9

<sup>45</sup> Qs 76, 79

<sup>46</sup> Q104

<sup>47</sup> Qs 122, 123

<sup>48</sup> Q112

<sup>49</sup> Qs 125 to 132

<sup>50</sup> Letter dated 25 March 2003 from the AGW to the Chair of the Audit Committee (Annex B), paragraph 23

<sup>51</sup> Q85

<sup>52</sup> Q79

the Harbour Authority, planned for the end of the first five years, to appraise options that will further reduce the Assembly Government's exposure to risk.

28. We also welcome the large savings – currently £8.4 million - that the Harbour Authority is predicting for its fixed revenue costs; all of these will be re-invested in Cardiff Bay<sup>53</sup>. The Assembly should benefit from the considerable savings that are expected for the aeration system, which is necessary to ensure that dissolved oxygen levels in the Bay meet statutory obligations. The Harbour Authority has installed a cheaper system than that envisaged in the original budget and expects to save £2 million of the £5.5 million budget<sup>54</sup>. At present, the system appears to be working well and there is no indication that additional funds will be needed to improve it, although the Environment Agency will continue to keep the situation under review<sup>55</sup>.
29. We are concerned to ensure, however, that this high level of savings is occurring because of genuine efficiencies in the Harbour Authority and not because of any failure to deliver the services expected. The Permanent Secretary told us that the £3.4 million underspend on the Harbour Authority's running costs in 2000-01 could be attributed to the transition and the time taken to get the Harbour Authority fully functioning<sup>56</sup>. However, we note that slippage has increased from £7.7 million at 31 March 2001<sup>57</sup> to an estimated £11.0 million at 31 March 2003<sup>58</sup>. We are concerned about the delays implied by these figures and look to the Assembly Government to monitor the position closely and ensure that all the services envisaged in the Section 165 agreements are in fact delivered. **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.** We hope that the sound monitoring regime that has now been established will enable it to do this effectively.

#### Operational issues at the Harbour Authority

30. The Auditor General's report highlighted that Barrage operating systems were not fully functional when the Harbour Authority took over responsibility for them<sup>59</sup>. Issues of concern included manual operation of the sluice gates, saline sump overflows, algae disposal and breaches of water quality standards<sup>60</sup>. We questioned the officials on these issues and are generally pleased with the progress made on the early operational problems<sup>61</sup>. Problems with the saline sump and algae

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<sup>53</sup> Letter dated 25 March 2003 from the AGW to the Chair of the Audit Committee (Annex B), paragraph 22

<sup>54</sup> AGW Report *Continuing the Regeneration of Cardiff Bay* and paragraph 3.29

<sup>55</sup> Q90

<sup>56</sup> AGW Report *Continuing the Regeneration of Cardiff Bay* Figure 3.1; Q99

<sup>57</sup> AGW Report *Continuing the Regeneration of Cardiff Bay* Figure 3.1

<sup>58</sup> Letter dated 25 March 2003 from the AGW to the Chair of the Audit Committee (Annex B), paragraph 22

<sup>59</sup> AGW Report *Continuing the Regeneration of Cardiff Bay* paragraph 3.23

<sup>60</sup> AGW Report *Continuing the Regeneration of Cardiff Bay* paragraphs 3.31 to 3.41

<sup>61</sup> Qs 88-90, 102, 136-137

disposal<sup>62</sup> have been addressed and funded through additional claims and, since our hearing, the sluice gates have begun to operate automatically.

31. We were concerned to hear that the dissolved oxygen limit in the freshwater bay was breached in summer 2001<sup>63</sup>. Officials were confident that this was due to a very unusual storm, that current systems were working well and that frequent or serious breaches were unlikely, although occasional problems associated with environmental conditions could arise<sup>64</sup>. At the same time, the Environment Agency was continuing to monitor the oxygenation system installed by the Harbour authority and it will take some time for it to be totally satisfied, but we were reassured that there were no significant problems expected<sup>65</sup>. We are content with these arrangements and hope that good water quality can be maintained without the need for significant additional expenditure. More generally, we are also content that through the Environmental Communication Forum that brings together the relevant public bodies, the environmental quality of the Bay is being monitored.<sup>66</sup>

Operational issues for the other successor bodies

32. Officials told us that the operations of the other successor bodies were generally progressing well and that no major problems were envisaged, and this is confirmed by the Auditor General's update to the Committee. In particular:
- the Countryside Council for Wales expects the Gwent Levels Wetland Reserve (alongside the Severn Estuary) to meet the criteria for Special Protection Area within the five year target period;<sup>67</sup>
  - the Welsh Development Agency continues to be responsible for the Plymouth Park landfill site, but intends to transfer responsibility to the Vale of Glamorgan Council in due course. Meanwhile, there are some technical challenges to be overcome that have resulted in some additional expenditure;<sup>68</sup>
  - the Welsh Development Agency hopes to resolve the 11 outstanding Compulsory Purchase Order claims for the Bute Avenue PFI scheme within two years, at a likely cost of £2.25 million<sup>69</sup>.

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<sup>62</sup> Qs 101, 137, 142

<sup>63</sup> AGW Report *Continuing the Regeneration of Cardiff Bay* paragraphs 3.36 to 3.39

<sup>64</sup> Q110

<sup>65</sup> Qs 88 to 90

<sup>66</sup> Letter dated 24 June 2002 from the Permanent Secretary to the Clerk to the Audit Committee (Annex C)

<sup>67</sup> Q163

<sup>68</sup> Q159; letter dated 25 March 2003 from the AGW to the Chair of the Audit Committee (Annex B), paragraph 25; letter dated 24 June 2002 from the Permanent Secretary to the Clerk to the Audit Committee (Annex C)

<sup>69</sup> Q118; letter dated 24 June 2002 from the Permanent Secretary to the Clerk to the Audit Committee (Annex C)

Meanwhile, the Assembly Government was reviewing options for the second phase of the PFI scheme<sup>70</sup>; and

- the Agency is actively monitoring agreements with property developers to ensure that it receives any overage payments that are due (these provide the Assembly with a share of any profits above a pre-determined level). The Assembly hoped that the relatively low value of receipts to date would improve as there were still several years to run on the agreements<sup>71</sup>, and the Auditor General's update shows that the Agency has indeed received more than expected from overage on residential developments over the first three years of the succession arrangements<sup>72</sup>.
33. We welcome these assurances and hope that the various public bodies continue to work together to deliver the relevant services to time and budget.

## Conclusions and recommendations

34. The transition from the Cardiff Bay Development Corporation to the four successor bodies was never going to be a straightforward affair and it was always likely that some problems would occur in the first year of operation. This has proved to be the case, but generally the transition has gone well. The bodies involved have succeeded in maintaining the core activities of the Corporation and have made good progress in completing its major unfinished projects, overcoming difficult technical and environmental challenges to achieve freshwater impoundment of the Bay. We welcome the fact that the Harbour Authority and the Welsh Development Agency, which account for almost 90 per cent of the estimated funding requirement, expect to meet their obligations within budget and in the case of the Harbour Authority to make substantial savings that will be re-invested to further the regeneration of Cardiff Bay. These are considerable achievements and should not be overshadowed by those areas where there is room for improvement.
35. Our concerns relate mainly to contractual and procedural issues that should have been settled at the outset of the succession arrangements. The disputes over the Auditor General's access to the Harbour Authority and the timing of grant payments suggest that the terms of the Section 165 agreements with Cardiff County Council may not have been clear enough. The absence of a legally agreed financial memorandum – and the consequent failure to complete an independent audit of the grants paid to the Harbour Authority – are serious gaps in the framework of control for such a large amount of public money. We look to the Assembly Government to ensure that these weaknesses are not repeated.

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<sup>70</sup> Q155

<sup>71</sup> Q149

36. It is particularly worrying that the Auditor General did not have unfettered access to the records of the Harbour Authority, and we wish to emphasise our firm belief that the Auditor General must be able to examine records directly wherever the Assembly is paying grants to public or private bodies. We are relieved that the problem has now been resolved and that the Auditor General is now able to confirm that his original report contains no material omissions.
37. We are also concerned about the long delays in producing the Harbour Authority's business plan and regeneration programme and the lack of clarity about who is responsible for monitoring the regeneration targets. There is a danger that these weaknesses indicate some drift in the strategic regeneration of the Bay and we urge the Assembly to use its oversight role to make sure that this is put right.
38. Now that the early operational and procedural difficulties have been overcome, and the projects inherited from the Cardiff Bay Development Corporation are largely complete, it is time to look ahead and decide how best to continue the regeneration of Cardiff Bay. This process will be led by the successor bodies and Cardiff County Council in particular will have a key role in deciding the future. But the public investment in Cardiff Bay was always intended to benefit the whole of Wales. We hope that the successor bodies will work together to continue the regeneration of Cardiff Bay so that it has the widest positive impact and to agree a clear strategy on how to achieve this. The planned review of the public investment in Cardiff Bay is an excellent opportunity to assess progress and the value for money of both current and previous spending. We hope that all the successor bodies will participate fully in the review and use its results to inform future policy and strategy.
39. Our detailed conclusions and recommendations are set out below:
- 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;**
  - 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;**
  - iii) **we expect the Assembly Government to ensure that in the future, funding agreements like the Section 165 agreements with Cardiff County Council are**

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<sup>72</sup> Letter dated 25 March 2003 from the AGW to the Chair of the Audit Committee, paragraph 25

**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;**

- 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;**
- 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;**
- 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 in assessing the wider impact on Wales; and**
- 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.**
- 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.**

**Annex A**



**Cynulliad Cenedlaethol Cymru**

**Pwyllgor Archwilio**

**The National Assembly for Wales**

**Audit Committee**

**Adfywio Bae Caerdydd**

**The Regeneration of Cardiff Bay**

**Cwestiynau 1-170**

**Questions 1-170**

**Dydd Iau 16 Mai 2002**

**Thursday 16 May 2002**

*Aelodau o'r Cynulliad yn bresennol: Dafydd Wigley (Cadeirydd), Alun Cairns, Janet Davies, Jocelyn Davies, Janice Gregory, Alison Halford, Ann Jones, Val Lloyd.*

*Swyddogion yn bresennol: Syr John Bourn, Archwilydd Cyffredinol Cymru; Frank Grogan, Swyddfa Archwilio Genedlaethol Cymru; David Powell, Swyddog Cydymffurfio Cynulliad Cenedlaethol Cymru.*

*Tystion: Jon Shortridge, Ysgrifennydd Parhaol Cynulliad Cenedlaethol Cymru; Keith Parsons, Is-adran Polisi Economaidd, Cynulliad Cenedlaethol Cymru; David Richards, Prif Swyddog Cyllid Cynulliad Cenedlaethol Cymru; Emyr Roberts, Pennaeth Is-adran Polisi Economaidd Cynulliad Cenedlaethol Cymru.*

*Assembly Members present: Dafydd Wigley (Chair), Alun Cairns, Janet Davies, Jocelyn Davies, Janice Gregory, Alison Halford, Ann Jones, Val Lloyd.*

*Officials present: Sir John Bourn, Auditor General for Wales; Frank Grogan, National Audit Office Wales; David Powell, National Assembly for Wales Compliance Officer.*

*Witnesses: Jon Shortridge, Permanent Secretary, National Assembly for Wales; Keith Parsons, Economic Policy Division, National Assembly for Wales; David Richards, Principal Finance Officer, National Assembly for Wales; Emyr Roberts, Head of Economic Policy Division, National Assembly for Wales.*

*Dechreuodd y sesiwn cymryd tystiolaeth am 2.12 p.m.*

*The evidence-taking session began at 2.12 p.m.*

[1] **Dafydd Wigley:** Croesawaf bawb i'r cyfarfod hwn o'r Pwyllgor Archwilio.

Members and witnesses are entitled to speak in either Welsh or English, and simultaneous translation facilities are available. The facility may also be helpful if you are having difficulty hearing, which sometimes happens in these rooms. You can hear the direct feed more clearly and loudly through the earpieces.

A gaf, yn y lle cyntaf, ymddiheuro am yr oedi cyn agor y sesiwn ffurfiol. Yr oedd mwy o faterion nac arfer i'w trafod yn ein sesiwn paratoi heddiw. Croesawaf bawb yma. Yr wyf wedi derbyn ymddiheuriad gan Eleanor Burnham; ni all fod gyda ni heddiw. Bwriadaf dorri am egwyl fer tua 3.15 p.m. a

[1] **Dafydd Wigley:** I welcome everyone to this meeting of the Audit Committee.

Mae gan aelodau a thystion hawl i siarad yn y Gymraeg neu'r Saesneg, ac mae cyfleusterau cyfieithu ar y pryd ar gael. Gall y cyfleuster fod yn ddefnyddiol hefyd os ydych yn cael trafferth clywed, rhywbeth sy'n gallu digwydd yn yr ystafelloedd hyn. Gallwch glywed y drafodaeth yn gliriach ac yn uwch drwy'r clustffonau.

May I, in the first place, apologise for the delay before opening the formal session. There were more matters than usual to discuss in our preparatory meeting today. I welcome everyone here. I have received an apology from Eleanor Burnham, who cannot be with us today. I intend to stop for a short

bydd coffi a te ar gael bryd hynny mewn ystafelloedd gwahanol ar gyfer y tystion a'r aelodau.

Yr eitem gyntaf ar yr agenda yw sesiwn cymryd tystiolaeth ar yr adroddiad gan Swyddfa Archwilio Genedlaethol Cymru, 'Parhau i Adfywio Bae Caerdydd', a gyhoeddwyd ar ran Archwilydd Cyffredinol Cymru ar 9 Mai eleni. A gaf, felly, groesawu ein tystion a'u gwahodd, er mwyn y cofnod ffurfiol, i gyflwyno eu hunain.

**Mr Shortridge:** I am Jon Shortridge, the Permanent Secretary of the National Assembly for Wales.

**Mr Richards:** I am David Richards, the National Assembly for Wales's principal finance officer.

**Mr Roberts:** I am Emyr Roberts, head of the National Assembly for Wales's Economic Policy Division.

**Mr Parsons:** I am Keith Parsons, head of the branch within the Economic Policy Division that is responsible for Cardiff bay.

[2] **Dafydd Wigley:** Diolch yn fawr iawn am fod yma gyda ni heddiw. Y cwestiwn cyntaf yr hoffwn ei ofyn i chi, Mr Shortridge yw hwn: mae ffigur 2.4 yn adroddiad yr Archwilydd Cyffredinol yn awgrymu nad yw trefniadau Llywodraeth y Cynulliad ar gyfer monitro a goruchwyllo'r pedwar corff olynol yn gyflawn ac y gellid dadlau nad ydynt eto yn gwbl effeithiol. Pa sicrwydd allwch chi ei roi inni y caiff yr adnoddau sylweddol y mae'r Cynulliad yn parhau i'w buddsoddi ym mae Caerdydd eu defnyddio at y diben y'u bwriadwyd?

**Mr Shortridge:** I think that, in terms of the staff resource that we are currently putting in to this oversight and monitoring process, we are doing all that we need to do now. I am satisfied about that. It is also the case that we are separately proposing to undertake a review in the next financial year of the overall success of the Cardiff bay investment, so I think that, in those two respects, I am satisfied about the present arrangements.

[3] **Dafydd Wigley:** A gaf ofyn sut y gallwch fod yn sicr ein bod yn cael gwerth am arian a bod hynny'n amlwg pan fo sefyllfa yn bodoli

break at around 3.15 p.m. and coffee and tea will be available then in different rooms for the witnesses and the members.

The first item on the agenda is an evidence-taking session on the report by the National Audit Office Wales, 'Continuing the Regeneration of Cardiff Bay', which was published on behalf of the Auditor General for Wales on 9 May this year. May I, therefore, welcome our witnesses and invite them to introduce themselves for the formal record.

**Mr Shortridge:** Jon Shortridge, Ysgrifennydd Parhaol Cynulliad Cenedlaethol Cymru, wyf fi.

**Mr Richards:** David Richards, prif swyddog cyllid Cynulliad Cenedlaethol Cymru, wyf fi.

**Mr Roberts:** Emyr Roberts, pennaeth Is-adran Polisi Economaidd Cynulliad Cenedlaethol Cymru, wyf fi.

**Mr Parsons:** Keith Parsons, pennaeth y gangen o fewn yr Is-adran Polisi Economaidd sy'n gyfrifol am Fae Caerdydd, wyf fi.

[2] **Dafydd Wigley:** Thank you very much for being with us here today. The first question that I would like to ask you, Mr Shortridge is this: figure 2.4 of the Auditor General's report suggests that the Assembly Government's arrangements for monitoring and overseeing the four successor bodies are incomplete and arguably not yet fully effective. What assurance can you give us that the considerable resources that the Assembly is continuing to invest in Cardiff bay are being used for the intended purposes?

**Mr Shortridge:** Credaf, o ran yr adnoddau staff yr ydym yn eu darparu ar hyn o bryd ar gyfer y broses monitro a goruchwyllo hon, ein bod yn gwneud popeth y mae angen i ni ei wneud ar hyn o bryd. Yr wyf yn fodlon ynghylch hynny. Ar wahân i hynny, yn y flwyddyn ariannol nesaf, yr ydym hefyd yn bwriadu adolygu llwyddiant cyffredinol y buddsoddiad ym mae Caerdydd, ac felly teimlaf, o ran y ddau beth hynny, fy mod yn fodlon â'r trefniadau presennol.

[3] **Dafydd Wigley:** May I ask how you can be sure that we are getting value for money and that that is obvious when a situation

sy'n ei gwneud yn amhosibl i ni wybod i sicrwydd beth yw'r gwirionedd ariannol, am y rheswm na chafodd y Swyddfa Archwilio Genedlaethol na'r Archwilydd Cyffredinol fynediad llawn i gofnodion Awdurdod Harbwr Caerdydd fel y mae hawl ganddynt o dan ddarpariaethau cytundeb adran 165 a wnaed gyda Chyngor Sir Caerdydd? Mae hyn yn tansilio gwaith yr archwilydd ac yn rhoi'r Pwyllgor hwn mewn sefyllfa amhosibl ac annioddefol.

May I remind you that in July 2001 when the Committee took evidence from you on this very matter, you were questioned on this issue and you responded,

'My understanding is that the NAO needs to have access very shortly and I will be using my good offices to ensure that it gets it in an appropriate way'.

Why did it not?

**Mr Shortridge:** May I answer in two parts? I think, on the first part, the fact that you and I have not yet had the full assurances which the Auditor General feels are necessary to give you, is obviously a matter of concern. However, in terms of my own perspective as accounting officer, in the way in which we ourselves manage the relationship with Cardiff council, overall, I am satisfied that those administrative arrangements are now working well. I do not have any evidence on the basis of the information that we routinely and regularly get from the council that there is a serious problem, or any problem, in terms of the way in which it is undertaking its responsibilities under the section 165 agreement.

Just to put that to one side, on your specific point that I said that I would be using my good offices to ensure that access is granted in a way that is satisfactory to all parties, I can tell the Committee what I have done to fulfil that, if that would be helpful. On 20 July, which was shortly after, I think, our last hearing on this matter, David Richards, on my behalf, wrote to the chief executive of Cardiff council, setting out the concerns of the Committee last time and the position as I had explained it. The chief executive replied on 22 August advocating an agreement of arrangements between the district audit office and the National Audit Office. You may recall that, in my evidence last time, I said that I thought that it was possible that one

exists which makes it impossible for us to know with certainty what the financial reality is, for the reason that the National Audit Office and the Auditor General have not been given full access to Cardiff Harbour Authority's records, as is their right under the provisions of the section 165 agreement, which was made with Cardiff County Council? This undermines the auditor's work and places this Committee in an impossible and unbearable situation.

Pan dderbyniodd y Pwyllgor dystiolaeth gennyhych ar hyn ym mis Gorffennaf 2001, fe'ch holwyd ar yr union fater hwn, a hoffwn eich atgoffa mai eich ymateb oedd,

'Fy nealltwriaeth i yw fod angen i'r Swyddfa Archwilio Genedlaethol gael mynediad yn fuan iawn a byddaf yn defnyddio fy nylanwad i sicrhau y digwydd hynny mewn ffordd briodol'

Pam na ddigwyddodd hynny?

**Mr Shortridge:** A gaf ateb mewn dwy ran? Credaf, yn gyntaf, fod y ffaith nad ydych chi na minnau hyd yma wedi derbyn y sicrwydd llawn y teimla'r Archwiliwr Cyffredinol sy'n angenrheidiol ei roi chi, yn amlwg yn destun pryder. Serch hynny, o ran fy mhersbectif fy hun fel swyddog cyfrifo, yn y ffordd yr ydym ni ein hunain yn rheoli'r berthynas â Chyngor Caerdydd, yn gyffredinol, yr wyf yn fodlon bod y trefniadau gweinyddol hynny yn gweithio'n dda erbyn hyn. Nid oes gennyf dystiolaeth ar sail y wybodaeth a gawn fel mater o drefn ac yn rheolaidd gan y cyngor fod problem ddifrifol yn bodoli, nac unrhyw broblem, o ran y ffordd y mae'n ymgymryd â'i ddyletswyddau o dan y cytundeb adran 165.

I roi hynny o'r neilltu, ar eich pwynt penodol lle y dywedais y byddwn yn defnyddio fy nylanwad i sicrhau bod mynediad yn cael ei ganiatáu mewn ffordd sy'n foddhaol i bawb, gallaf ddweud wrth y Pwyllgor beth yr wyf wedi'i wneud i gyflawni hynny, pe bai hynny'n ddefnyddiol. Ar 20 Gorffennaf, a oedd, mi gredaf, ychydig ar ôl ein gwrandawriad diwethaf ar y mater hwn, ysgrifennodd David Richards, ar fy rhan, at brif weithredwr cyngor Caerdydd, yn mynegi pryderon y Pwyllgor y tro diwethaf a'r sefyllfa fel yr eglurwyd gennyf. Atebodd y prif weithredwr ar 22 Awst gan argymhell cytundeb trefniadau rhwng swyddfa archwilio cyfrifon y dosbarth a'r Swyddfa Archwilio Genedlaethol. Yn fy nhystiolaeth y

way through this might be for the rights of access to be secured in co-operation with the district audit office. Therefore, that was what happened next. On 31 October, there was a meeting between David Richards, our assistant compliance officer, and the chief executive to discuss these matters further. That was followed up and, in effect, facilitated a meeting on 16 November, which was a meeting between the Lord Mayor of Cardiff, the chief executive, and two officials from the NAO, to explore these matters further. On 25 March, David Richards again wrote to the chief executive, forwarding a copy of the latest draft report—the report that is before us today—for comment. That, in turn, was followed up with a meeting between the Lord Mayor, the chief executive, certain officials from the NAO, David Richards, and another official from the Assembly. Therefore, in terms of the undertaking that I gave the Committee to use my good offices to secure an outcome, that is what I did. It is for the Committee to decide whether that was all that I could appropriately do under the circumstances. I certainly felt that I was pursuing this matter as seriously and as effectively as I could.

[4] **Dafydd Wigley:** I accept—and I am sure that the Committee accepts—that you have been pursuing the matter, but the question is, what has been delivered? I would like to ensure that my understanding is correct, and ensure that those who may be listening to this Committee have a comprehensive understanding of this. The section 165 agreement made between Cardiff County Council and the Cardiff Bay Development Corporation in March 2000, explicitly provided the corporation, or any other such person it nominated, with reasonable access to records and accounting documents relating to payments pursuant to this agreement. We, as an Assembly, have taken over that responsibility, and we as an Assembly, do we not, therefore have the right to nominate the person that we want to undertake those responsibilities as part of the essential checks and balances required to ensure that the harbour authority's £55 million of expenditure is being properly scrutinised? We have nominated the Auditor General and his team to do that work. Am I correct in that understanding?

tro diwethaf, efallai i chi gofio i mi ddweud y credwn mai un ffordd bosibl o ddelio â hyn fyddai sicrhau'r hawliau mynediad mewn cydweithrediad â swyddfa archwilio cyfrifon y dosbarth. Felly, dyna beth ddigwyddodd nesaf. Ar 31 Hydref, cafwyd cyfarfod rhwng David Richards, ein swyddog cydymffurfio cynorthwyol, a'r prif weithredwr i drafod y materion hyn ymhellach. Dilynwyd hyn, ac yn wir, bu'n fodd i hwyluso cyfarfod ar 16 Tachwedd, sef cyfarfod rhwng Arglwydd Faer Caerdydd, y prif weithredwr, a dau swyddog o'r SAG, er mwyn ymchwilio i'r materion hyn ymhellach. Ar 25 Mawrth, ysgrifennodd David Richards eto at y prif weithredwr, gan anfon copi o'r adroddiad drafft diweddaraf—yr adroddiad sydd ger ein bron heddiw—ar gyfer cael sylwadau arno. Dilynwyd hynny gan gyfarfod rhwng yr Arglwydd Faer, y prif weithredwr, rhai o swyddogion y SAG, David Richards, a swyddog arall o'r Cynulliad. Felly, o ran yr ymrwymiad a roddais i'r Pwyllgor i ddefnyddio fy nylanwad i sicrhau canlyniad, bu i mi wneud hynny. Y Pwyllgor sydd i benderfynu ai hynny oedd y cyfan y gallwn ei wneud yn briodol o dan yr amgylchiadau. Yn sicr, yr oeddwn o'r farn fy mod yn rhoi sylw mor ddifrifol ac effeithiol ag y gallwn i'r mater hwn.

[4] **Dafydd Wigley:** Yr wyf yn derbyn—ac yr wyf yn siŵr bod y Pwyllgor yn derbyn—eich bod wedi rhoi sylw i'r mater, ond y cwestiwn yw, beth sydd wedi cael ei gyflawni? Hoffwn sicrhau bod fy nealltwriaeth yn gywir, a sicrhau bod y rhai a allai fod yn gwrando ar y Pwyllgor hwn â dealltwriaeth gynhwysfawr o'r mater. Yr oedd y cytundeb adran 165 a wnaethpwyd rhwng Cyngor Sir Caerdydd a Chorfforaeth Datblygu Bae Caerdydd ym mis Mawrth 2000, yn rhoi'n benodol i'r gorfforaeth, neu unrhyw berson enwebedig ganddi, fynediad rhesymol at gofnodion a dogfennau cyfrifo sy'n gysylltiedig â thaliadau a wnaed yn unol â'r cytundeb hwn. Yr ydym ni, fel Cynulliad, wedi ysgwyddo'r cyfrifoldeb hwnnw ac felly, onid oes gennym ni, fel Cynulliad, yr hawl i enwebu'r person yr hoffem ni ei gael i ymgymryd â'r cyfrifoldebau hynny fel rhan o'r gwiriadau a'r archwiliadau hanfodol sy'n ofynnol er mwyn sicrhau bod gwariant awdurdod y porthladd o £55 miliwn yn cael ei archwilio'n gywir? Yr ydym wedi enwebu'r Archwiliwr Cyffredinol a'i ddim i wneud hynny. A yw fy nealltwriaeth yn

**Mr Shortridge:** Yes, you are.

[5] **Dafydd Wigley:** Therefore, as to other people suggesting that it might be done through some other office, it is not really a matter for other people to tell the Assembly who we should have to work on our behalf. If we have nominated Sir John Bourn and his team, we have the legal right, do we not, to insist that it is Sir John Bourn and his team who have full and unfettered access to those records and accounting documents?

**Mr Shortridge:** If I were on the other side of the agreement, Chair, that is clearly the position that I would take, and I want the Committee to understand that.

[6] **Dafydd Wigley:** This is a legal agreement and it is still in force?

**Mr Shortridge:** Yes, but I will just refer you to the agreement. The agreement allows the Auditor General reasonable access to such records and accounting documentation in the possession and control of the council. Therefore, this issue turns on what constitutes reasonable access, and, as I understand it, the council is saying that 'we will give reasonable access, we will make all this information available to our auditors, and the NAO can then have access through our auditors, who will, effectively, be acting as its agents'.

[7] **Dafydd Wigley:** Do you think that it is reasonable that another body that has entered into a legal agreement with us should be able to get out of the implications of that agreement by saying to whom it is prepared to provide the information? If Sir John Bourn and his team want that information, surely they have a legal right to have it?

**Mr Shortridge:** I have done all I can, as I think that I have explained, to ensure that he has that right given to him. However, where I have a local authority taking a contrary view, I, as accounting officer, am not in a position to do more than I have done. Perhaps I can draw out the distinction: if this were a grant that was being provided to one of the bodies directly sponsored by the Assembly—either a sponsored body or a health organisation—the chain of accountability through the accounting officer arrangements would apply, and I could enforce my will as accounting officer. Where we have an agreement with a local authority, which is, rightly, an independent public body, I, as an

gywir?

**Mr Shortridge:** Ydyw.

[5] **Dafydd Wigley:** Felly, o ran pobl eraill yn awgrymu y gellid gwneud hyn drwy ryw swyddfa arall, nid mater i bobl eraill mewn gwirionedd yw dweud wrth y Cynulliad pwy ddylai fod yn gweithio ar ein rhan. Os ydym wedi enwebu Syr John Bourn a'i dîm, mae gennym yr hawl gyfreithiol, onid oes, i fynnu mai Syr John Bourn a'i dîm sy'n cael mynediad llawn a dilyffethair at y cofnodion a'r dogfennau cyfrifo hynny?

**Mr Shortridge:** Pe bawn i ar ochr arall y cytundeb, Gadeirydd, dyna'n sicr y safbwynt y byddwn i'n ei gymryd, a hoffwn i'r Pwyllgor ddeall hynny.

[6] **Dafydd Wigley:** Mae hwn yn gytundeb cyfreithiol ac mae dal mewn grym?

**Mr Shortridge:** Ydyw, ond fe'ch cyfeiriai at y cytundeb. Mae'r cytundeb yn rhoi mynediad rhesymol i'r Archwiliwr Cyffredinol at y cofnodion a'r dogfennau cyfrifo hynny sydd ym meddiant a rheolaeth y cyngor. Felly, mae'r mater hwn yn ymwneud â'r hyn a olygir wrth fynediad rhesymol ac, yn ôl a ddeallaf, mae'r cyngor yn dweud 'y byddwn yn rhoi mynediad rhesymol, byddwn yn rhoi'r holl wybodaeth hon i'n harchwilwyr, a gall y SAG wedyn gael mynediad atynt drwy ein harchwilwyr, a fydd, yn y bôn, yn gweithredu fel ei asiantau'.

[7] **Dafydd Wigley:** A ydych yn credu ei fod yn rhesymol bod corff arall sydd â chytundeb cyfreithiol gyda ni yn gallu osgoi goblygiadau'r cytundeb hwnnw drwy ddweud i bwy y mae'n fodlon rhoi'r wybodaeth? Os yw Syr John Bourn a'i dîm am gael y wybodaeth honno, does bosibl fod ganddynt hawl gyfreithiol i'w derbyn?

**Mr Shortridge:** Yr wyf wedi gwneud popeth o fewn fy ngallu, fel yr eglurwyd gennyf mi gredaf, i sicrhau ei fod yn cael yr hawl honno. Fodd bynnag, pan fo barn awdurdod lleol yn wahanol, nid wyf fi, fel swyddog cyfrifo, mewn sefyllfa i wneud unrhyw beth arall. Efallai y gallaf esbonio ymhellach: pe bai hwn yn grant sy'n cael ei roi i gorff a noddir yn uniongyrchol gan y Cynulliad—naill ai corff nodedig neu sefydliad iechyd—byddai'r gadwyn atebolrwydd drwy drefniadau'r swyddog cyfrifo yn berthnasol, a gallwn orfodi fy ewyllys fel swyddog cyfrifo. Pan fo gennym gytundeb gydag awdurdod lleol, sydd yn gorff cyhoeddus annibynnol, ni allaf, fel swyddog, orfodi fy ewyllys yn yr un

official, cannot enforce my will in the same way.

[8] **Dafydd Wigley:** I accept that. Do you want to come in on this, Jocelyn?

[9] **Jocelyn Davies:** Yes. You say that you cannot enforce our right. You now say that the National Audit Office should have reasonable access, but, last July, you said:

‘it is quite clear that the NAO must have what it regards as adequate access to these books.’

By ‘it’, I assume that you were referring to the National Audit Office, not the council.

**Mr Shortridge:** I think that I can say that that remains my position. As accounting officer, I feel very strongly that I should be doing everything I can to ensure that the Auditor General has the access to the papers that he wants. I will do everything I can to seek to ensure that, but what I have said is that there are actually limits on what I can do, as an official, in these circumstances to secure that access.

[10] **Jocelyn Davies:** Have you exhausted all the possibilities?

**Mr Shortridge:** Not necessarily. May I put it this way? Clearly, from what I have described, there has been, over a considerable period of time, a continuing process of discussion between ourselves and the Auditor General and his staff, and with the local authority, in an effort to reach a satisfactory outcome, which, if I may put it like this, is not an adversarial outcome. I suppose that my present position is—the Auditor General may want to comment; I do not want to put words into his mouth—that I got the impression that, because when I was sent this report to be signed off the Auditor General did not send it with some conditional caveat, he did actually feel that, while he might have liked better access to information, he could publish the report in its present form. I felt that the matter had not really come necessarily fully to a head for this report yet, but that, clearly, there is a continuing issue that we will have to pursue with the council in the light of this

modd.

[8] **Dafydd Wigley:** Yr wyf yn derbyn hynny. A hoffech ddweud rhywbeth ar hyn, Jocelyn?

[9] **Jocelyn Davies:** Hoffwn. Yr ydych yn dweud na allwch orfodi ein hawl. Yr ydych yn awr yn dweud y dylai'r Swyddfa Archwilio Genedlaethol gael mynediad rhesymol, ond, fis Gorffennaf diwethaf, dywedaso:

‘mae'n gwbl glir fod yn rhaid i'r Swyddfa Archwilio Genedlaethol gael mynediad digonol yn ei golwg hi at y llyfrau hyn.’

Yr wyf yn tybio bod ‘hi’ yn cyfeirio at y Swyddfa Archwilio Genedlaethol, ac nid at y cyngor.

**Mr Shortridge:** Credaf y gallaf ddweud mai hynny yw fy safbwynt o hyd. Fel swyddog cyfrifo, teimlaf yn gryf iawn y dylwn fod yn gwneud popeth o fewn fy ngallu i sicrhau bod yr Archwiliwr Cyffredinol yn cael mynediad at y papurau y mae am eu gweld. Gwnaf bopeth o fewn fy ngallu i geisio sicrhau hynny, ond yr hyn yr wyf wedi'i ddweud yw bod cyfyngiadau ar yr hyn y gallaf ei wneud, fel swyddog, o dan yr amgylchiadau hyn, i sicrhau'r mynediad hwnnw.

[10] **Jocelyn Davies:** A ydych wedi dihybyddu'r holl bosibiliadau?

**Mr Shortridge:** Nid o anghenraid. Beth am i mi ei roi fel hyn? Mae'n amlwg, o'r hyn a ddisgrifiwyd gennyf, bod trafodaethau cyson wedi cael eu cynnal, a hynny dros gyfnod sylweddol o amser, rhyngom ni a'r Archwiliwr Cyffredinol a'i staff, a chyda'r awdurdod lleol, er mwyn ceisio sicrhau canlyniad boddhaol, na fydd, os gallaf ei roi fel hyn, yn ganlyniad gwrthwynebus. Mae'n debyg mai fy marn bresennol yw—efallai y bydd yr Archwilydd Cyffredinol am roi sylwadau; nid wyf am roi geiriau yn ei enau—fy mod wedi cael yr argraff ei fod, oherwydd pan anfonwyd yr adroddiad hwn ataf i'w lofnodi, nid anfonodd yr Archwiliwr Cyffredinol unrhyw gafeat amodol ynghlwm wrtho, yn wirioneddol deimlo y gallai gyhoeddi'r adroddiad ar ei ffurf bresennol, er y byddai wedi hoffi cael gwell mynediad at wybodaeth. Yr oeddwn i'n teimlo nad oedd y mater wedi'i ddatrys yn llawn ar gyfer yr adroddiad hwn, ac, mae'n amlwg, yng

discussion today and thereafter. Does that answer your question?

[11] **Jocelyn Davies:** Yes.

[12] **Dafydd Wigley:** Alison, do you want to come in on this?

[13] **Alison Halford:** Yes. As the Permanent Secretary when the section 165 agreement was signed, did you have any role in drawing it up, or any say in the definition, the wording or what it would embrace?

**Mr Shortridge:** I was not involved in the detailed drafting of this agreement. I was involved, if I may put it this way, in the quite intensive overarching discussions that took place around the drawing up of these complex agreements, but I cannot recall being personally involved in this particular clause.

[14] **Alison Halford:** If you go through the information that it has been within the gift of the Lord Mayor to give the Auditor General, we are talking about millions and millions of pounds that the National Assembly is paying for things such as Bute Avenue, pensions that will go on forever, £1.6 million to Techniquet, £444,000 a year to maintain Gwent Levels Wetlands Reserve—and so the list goes on. As Permanent Secretary, you would have had no say in the agreement that the Assembly was unwittingly signing up to?

**Mr Shortridge:** I accept the basic point that you are making, but some of the examples that you have given do not apply to this particular agreement.

[15] **Dafydd Wigley:** I think that the figure is that there is £55.5 million over five years, which is a very large sum.

**Mr Shortridge:** I accept that. I think the basic point is this: I head the Assembly staff and it is my job to ensure that we have the necessary lawyers, systems and officials in place to give effect to agreements that have been made in the name of the Assembly. That is what happened on this occasion. I do not think that this is necessarily a flawed agreement, in the sense that it is not that

ngoleuni'r drafodaeth hon heddiw, ac wedi hynny, y bydd yn rhaid i ni barhau i fynd i'r afael â'r mater gyda'r cyngor. A yw hynny yn ateb eich cwestiwn?

[11] **Jocelyn Davies:** Ydyw.

[12] **Dafydd Wigley:** Alison, a hoffech ddweud rhywbeth ar hyn?

[13] **Alison Halford:** Hoffwn. Fel yr Ysgrifennydd Parhaol pan lofnodwyd y cytundeb adran 165, a oedd gennych ran yn y gwaith o'i lunio, neu unrhyw lais yn y diffiniad, y geiriad neu'r hyn y byddai'n ei gynnwys?

**Mr Shortridge:** Nid oeddwn yn gysylltiedig â'r gwaith drafftio manwl ar y cytundeb hwn. Os gallaf ei roi fel hyn, yr oeddwn yn gysylltiedig â'r trafodaethau trosfwaol eithaf dwys a gynhaliwyd er mwyn llunio'r cytundebau cymhleth hyn, ond nid oes gennyf gof o fod yn gysylltiedig yn bersonol â'r cymal arbennig hwn.

[14] **Alison Halford:** Os ewch chi drwy'r wybodaeth y mae'r Arglwydd Faer wedi cael ei roi i'r Archwiliwr Cyffredinol, yr ydym yn siarad am filiynau a miliynau o bunnoedd y mae'r Cynulliad Cenedlaethol yn ei dalu am bethau megis Rhodfa Bute, pensiynau a fydd yn mynd ymlaen am byth, £1.6 miliwn i Techniquet, £444,000 y flwyddyn i gynnal Gwarchodfa Gwlyptir Gwastadeddau Gwent—ac ymlaen ac ymlaen. Fel yr Ysgrifennydd Parhaol, ni fuasai gennych lais yn y cytundeb yr oedd y Cynulliad yn ei lofnodi yn ddiarwybod iddo?

**Mr Shortridge:** Yr wyf yn derbyn y pwynt sylfaenol yr ydych yn ei wneud, ond nid yw rhai o'r enghreifftiau a roddwyd gennych yn berthnasol i'r cytundeb neilltuol hwn.

[15] **Dafydd Wigley:** Credaf mai'r ffigur yw £55.5 miliwn dros bum mlynedd, sydd yn swm mawr iawn.

**Mr Shortridge:** Yr wyf yn derbyn hynny. Teimlaf mai hyn yw'r pwynt sylfaenol: yr wyf yn bennaeth ar staff y Cynulliad a'm gwaith i yw sicrhau ein bod yn meddu ar y cyfreithwyr, y systemau a'r swyddogion angenrheidiol er mwyn gweithredu cytundebau sydd wedi cael eu gwneud yn enw'r Cynulliad. Dyna a ddigwyddodd ar yr achlysur hwn. Ni chredaf fod y cytundeb o

dissimilar to agreements that we have with local authorities in the case of grants that we pay to them. They tend to focus on access to papers, but do not specify precisely how that access is to be given. Similarly, it is a clause that is in the financial assistance agreement in the case of the Vale—

[16] **Dafydd Wigley:** Sorry to cut across, but I do not think that anybody is suggesting that the agreement is flawed. What is being suggested is that it is not being abided by. Sorry, Alison.

[17] **Alison Halford:** I disagree with the Chair. I think that it is a desperately flawed agreement if the Assembly has signed up, for many years to come, to expenditure which we have no knowledge of and no control over. I think that it is a shocking agreement, quite frankly. I am appalled when I see what has been spent and to what we have been committed.

My final question is, did you not, in your wisdom, Mr Shortridge, recognise a conflict in the chair of the harbour authority and the mayor of Cardiff being one and the same person? Did that not seem to be a fairly dangerous precedent to set?

**Mr Shortridge:** May I just repeat, on the first point, that, while I am disappointed with the way in which the agreement is currently being implemented, I do not think that it follows that it is necessarily flawed. In terms of the conflict of interest, the basic policy at the time was to return these assets that were represented by the harbour to the local authority to put it back into democratic control. It seems to me that it flows from that policy that the leader of Cardiff County Council will be in a position to exercise authority over it and within it.

[18] **Dafydd Wigley:** Alun, do you want to come in on this?

[19] **Alun Cairns:** Thank you, Cadeirydd. May I place this in context, Mr Shortridge? The harbour authority is a public body, funded by the National Assembly for Wales. Our interest, obviously, is to secure value for money for the taxpayer and for those people

anghenraid yn ddiffygiol, o ran nad yw'n annhebyg i gytundebau sydd gennym gydag awdurdodau lleol gyda golwg ar grantiau y talwn iddynt. Maent yn tueddu i ganolbwyntio ar fynediad at bapurau, ond nid ydynt yn nodi'n fanwlgywir sut y bydd y mynediad hwnnw'n cael ei roi. Yn yr un modd, cymal ydyw sydd yn y cytundeb cymorth ariannol yn achos y Fro—

[16] **Dafydd Wigley:** Mae'n ddrwg gennyf dorri ar draws, ond ni chredaf fod unrhyw un yn awgrymu bod y cytundeb yn ddiffygiol. Yr hyn sy'n cael ei awgrymu yw nad yw'r cytundeb yn cael ei ddilyn. Ymddiheuriadau, Alison.

[17] **Alison Halford:** Yr wyf yn anghytuno â'r Cadeirydd. Teimlaf fod y cytundeb yn hynod o ddiffygiol os yw'r Cynulliad, am sawl blwyddyn i ddod, wedi llofnodi cytundeb am wariant nad ydym yn gwybod dim amdano, a heb reolaeth arno. Credaf ei fod yn gytundeb dychrynlyd a dweud y gwir. Yr wyf yn arswydo pan welaf yr hyn sydd wedi cael ei wario a'r hyn yr ydym wedi cael ein hymrwymo iddo.

Fy nghwestiwn olaf yw, oni wnaethoch, Mr Shortridge, yn eich doethineb, ystyried y gwrthdaro a allai godi o gael yr un person yn gadeirydd awdurdod y porthladd a hefyd yn faer Caerdydd? Onid oedd hynny fel pe bai'n gynsail go beryglus I'w gosod?

**Mr Shortridge:** A gaf i ailadrodd, ar y pwynt cyntaf, nad wyf, er fy mod yn siomedig â'r ffordd y mae'r cytundeb yn cael ei weithredu ar hyn o bryd, yn credu bod y cytundeb o anghenraid yn ddiffygiol. O ran y gwrthdaro rhwng buddiannau, y polisi sylfaenol ar y pryd oedd dychwelyd yr asedau hyn a oedd o dan reolaeth y porthladd i'r awdurdod lleol er mwyn eu dychwelyd i reolaeth ddemocrataidd. Ymddengys i mi, yn sgîl y polisi hwnnw, y bydd arweinydd Cyngor Sir Caerdydd mewn sefyllfa i ymarfer awdurdod drosto ac o'I fewn.

[18] **Dafydd Wigley:** Alun, a hoffech ddweud rhywbeth ar hyn?

[19] **Alun Cairns:** Diolch, Gadeirydd. A allaf roi hyn yn ei gyd-destun, Mr Shortridge? Corff cyhoeddus yw awdurdod y porthladd a ariennir gan Gynulliad Cenedlaethol Cymru. Ein diddordeb ni, mae'n amlwg, yw sicrhau gwerth am arian ar

who use public services in Wales. Otherwise, I am sure that any funding would be diverted to health, education or any of the other public services. You mentioned in one of the responses to Jocelyn Davies that there could well be a weakness in the chain of accounting, but you have also said that there is no flaw in the agreement. I do not believe that there is a flaw in the agreement because it is a legal agreement, and that has been confirmed. Jocelyn Davies asked you whether you had used every effort and means available to you to secure access for Sir John Bourn and his team for this Committee to take evidence on. I put it to you that you have not pursued every means, because it is a legal agreement. You have highlighted six or seven negotiations that you had with Cardiff County Council and its leader. Is it not the case that you have not taken the ultimate step and the ultimate threat of using the weight of the law to secure the interests of the Welsh taxpayer?

**Mr Shortridge:** It is certainly the case that I would regard inviting the Assembly to go to law and challenge a local authority in Wales as very much an ultimate step and not one that I would want to advocate if I could avoid it. So I have not been rushing to do that. The other thing that I have been having to take into account is what constitutes reasonable access in the circumstances, which would be the issue on which any legal hearing would turn, I think. Clearly, the council believes that what it is offering is reasonable and, if this went to law, that is what would be under focus. I would need to have very good legal advice before I was satisfied that it was appropriate to have that point tested.

[20] **Alun Cairns:** May I put it another way? Is this not the ultimate example of the tail wagging the dog?

**Mr Shortridge:** No, it is not. May I try to put it into context? I do not want to appear to be diminishing the importance of the issue that you raise—quite the contrary. However, I think that it is important to acknowledge that audit, while important, is not the only control that we exercise. As officials, we have very close contact with the council. We receive monthly reports from it on the

gyfer y trethdalwr ac ar gyfer y bobl hynny sy'n defnyddio gwasanaethau cyhoeddus yng Nghymru. Fel arall, yr wyf yn siŵr y byddai unrhyw gyllid yn cael ei ddargyfeirio i'r gwasanaethau iechyd, addysg neu unrhyw un o'r gwasanaethau cyhoeddus eraill. Crybwyllwyd gennych mewn un o'r ymatebion i Jocelyn Davies y gallai fod gwendid yn y gadwyn gyfrifo, ond dywedasoch hefyd nad yw'r cytundeb yn ddiffygiol. Ni chredaf fod diffyg yn y cytundeb oherwydd mae'n ddogfen gyfreithiol, ac mae hynny wedi'i gadarnhau. Gofynnodd Jocelyn Davies a oeddech wedi ymdrechu i'r eithaf i sicrhau mynediad i Syr John Bourn a'i dîm er mwyn i'r Pwyllgor hwn dderbyn tystiolaeth. Ni chredaf i chi fynd ar ôl pob dull posibl, gan ei fod yn gytundeb cyfreithiol. Yr ydych wedi amlygu chwech neu saith cyfarfod negodi a gawsoch gyda Chyngor Sir Caerdydd a'i arweinydd. Onid yw'n wir dweud nad ydych wedi cymryd y cam terfynol a'r bygythiad terfynol o ddefnyddio grym y gyfraith i sicrhau buddiannau'r trethdalwr yng Nghymru?

**Mr Shortridge:** Yn sicr byddwn yn ystyried gwahodd y Cynulliad i fynd i gyfraith i herio awdurdod lleol yng Nghymru yn gam terfynol iawn, ac yn rhywbeth na fyddwn yn ei argymhell pe bai modd ei osgoi. Felly, nid ydwyf wedi rhuthro i wneud hynny. Y peth arall yr wyf wedi gorfod ei ystyried yw beth yn union yw mynediad rhesymol o dan yr amgylchiadau, sef y mater y seilid unrhyw wrandawriad cyfreithiol arno, mi gredaf. Mae'n amlwg bod y cyngor yn credu bod yr hyn y mae'n ei gynnig yn rhesymol a, phe bai hyn yn mynd i gyfraith, dyna beth fyddai o dan y chwyddwydr. Byddai'n rhaid i mi gael cyngor cyfreithiol da iawn cyn i mi fod yn fodlon y byddai'n briodol profi'r pwynt hwnnw.

[20] **Alun Cairns:** A allaf ei roi mewn ffordd arall? Onid dyma'r enghraifft eithaf o'r gynffon yn siglo'r ci?

**Mr Shortridge:** Nage. A allaf geisio'i roi mewn cyd-destun? Nid wyf eisiau edrych fel pe bawn yn dilorni pwysigrwydd y mater yr ydych yn ei godi—i'r gwrthwyneb. Fodd bynnag, credaf ei fod yn bwysig nodi nad archwiliad, er ei fod yn bwysig, yw'r unig reolaeth sydd gennym. Fel swyddogion, mae gennym gysylltiad agos iawn â'r cyngor. Yr ydym yn derbyn adroddiadau misol ganddo

expenditure that it has incurred and its estimates of expenditure against its profile. Those monthly reports are signed off by three senior officials within the local authority. There is then an annual reconciliation of all its expenditure against profile. So, at a working level, I have a very considerable amount of assurance that this other major public body is using this money properly for the purposes intended. I am not aware of any occasion when the council has denied us, as officials, access to any information that we want. So that is a relevant consideration, I think, for the Committee to take into account when it addresses what I have acknowledged as an important issue relating to audit.

[21] **Alun Cairns:** This is my final question, or my final point. I am sorry, Mr Shortridge, but I do not accept the response that you have given. There are examples in the report of when the Assembly has lost out on large sums of money in interest payments because money has been drawn down by the harbour authority and Cardiff County Council and has not been spent for nine months. This Committee's purpose is to ensure that the resources available to the Assembly and the harbour authority are used in the most effective way. That interest could well have been spent elsewhere, and I am sure that we will come on to that. However, that is just one of the examples highlighted in this paper, so I do not accept your response.

**Mr Shortridge:** May I respond briefly to that point? I accept again that the issue of the drawdown is a serious one. However, in this context, what I would say is that the way in which it happened actually showed that the systems and controls that we are operating were working. We identified this issue and we then addressed it with the council and we have now resolved it. It is a nice point, but I think that, for the record, I will say that the loss of interest associated was not a loss of interest to the Assembly.

[22] **Dafydd Wigley:** Janet, do you want to come in on this?

[23] **Janet Davies:** Some of the questions that I had wanted to ask have already been asked, but I am not clear in my mind about

ar ei wariant a'i amcangyfrifon o wariant o'u cymharu â'i broffil. Llofnodir yr adroddiadau misol hyn gan dri o uwch swyddogion yr awdurdod lleol. Wedyn, yn flynyddol, cysonir ei holl wariant o'i gymharu â'r proffil. Felly, ar lefel waith, mae gennyf sicrwydd sylweddol iawn bod y corff cyhoeddus arall hwn yn defnyddio'r arian hwn yn iawn at y diben y'i bwriadwyd. Nid wyf yn ymwybodol bod y cyngor, ar unrhyw achlysur, wedi gwrthod i ni, fel swyddogion, gael mynediad at unrhyw wybodaeth yr oeddem am ei gweld. Felly teimlaf fod hwn yn ystyriaeth berthnasol i'r Pwyllgor ei ystyried pan fydd yn mynd i'r afael â'r hyn yr wyf wedi'i gydnabod yn fater pwysig sy'n gysylltiedig ag archwilio.

[21] **Alun Cairns:** Dyma fy nghwestiwn olaf, neu fy mhwynt olaf. Mae'n ddrwg gennyf, Mr Shortridge, ond nid wyf yn derbyn yr ymateb a roesoch. Ceir enghreifftiau yn yr adroddiad lle mae'r Cynulliad wedi colli symiau mawr o arian mewn taliadau llog gan fod Cyngor Sir Caerdydd ac awdurdod y porthladd wedi derbyn arian a heb ei wario am naw mis. Diben y Pwyllgor hwn yw sicrhau bod yr adnoddau sydd ar gael i'r Cynulliad ac awdurdod y porthladd yn cael eu defnyddio yn y ffordd fwyaf effeithiol. Gellid yn hawdd fod wedi gwario'r llog yn rhywle arall ac mae'n siŵr y deugn at hynny. Fodd bynnag, dim ond un o'r enghreifftiau a amlygir yn y papur yw hwn, ac felly nid wyf yn derbyn eich ymateb.

**Mr Shortridge:** A gaf ymateb yn fyr i'r pwynt hwnnw? Yr wyf yn derbyn eto bod mater yr arian a ddefnyddiwyd yn ddifrifol. Fodd bynnag, yn y cyd-destun hwn, dywedwn fod y ffordd y digwyddodd hyn wedi dangos bod y systemau a'r rheolaethau yr ydym yn eu defnyddio wedi gweithio. Nodwyd y mater hwn gennym ac fe'i trafodwyd â'r cyngor ac erbyn hyn yr ydym wedi'i ddatrys. Mae'n bwynt teg ond teimlaf, er mwyn i bawb gael gwybod, y dylwn ddweud nad oedd y llog cysylltiedig a gollwyd yn golled mewn llog i'r Cynulliad.

[22] **Dafydd Wigley:** Janet, a hoffech ddweud rhywbeth ar hyn?

[23] **Janet Davies:** Mae rhai o'r cwestiynau yr oeddwn am eu gofyn wedi cael eu gofyn yn barod, ond nid wyf yn glir iawn ynghylch

some of the answers. Mr Shortridge, you said that giving a local authority a grant was not dissimilar to this contract. Can you expand on that? I would have thought that a legally drawn-up contract was rather different to giving a grant to a local authority.

**Mr Shortridge:** When we make grants to local authorities, we attach grant conditions to them. I have in front of me what I am told is a standard grant condition to a local authority on NAO access. It says:

‘A right of access for the Comptroller and Auditor General is required. Under the National Audit Act 1983, the Comptroller and Auditor General has the right to examine the economy, efficiency and effectiveness of those activities for which grant is expressly provided. These powers apply to this grant scheme and project.’

Therefore, I think that the condition that is in the section 165 agreement, while it is not identical in terms of terminology with that, is consistent with it, which is why I was making the point that I do not think that there was anything particularly unusual in the section 165 agreement.

[24] **Janet Davies:** In giving grants to other local authorities, excluding Cardiff, have you ever come across this situation before with any other councils when they have received grants?

**Mr Shortridge:** No, I have not.

[25] **Janet Davies:** So it seems to be a one-off?

**Mr Shortridge:** Yes, and I suppose that that goes back to Miss Halford’s point. The way in which the condition is drafted is one that I would normally think is sufficiently robust to deal with the circumstances.

[26] **Janet Davies:** Right. Mr Shortridge, I fully appreciate that local government has its own independence and standing and I fully accept that we should not be unnecessarily adversarial and that we should not rush to law before every other single avenue has been explored. Nevertheless, do you not feel that perhaps it is now time to start discussions between the two bodies with lawyers—not

rhai o’r atebion. Mr Shortridge, dywedasoch nad oedd rhoi grant i awdurdod lleol yn annhebyg i’r cytundeb hwn. A allwch chi ymhelaethu ar hyn? I mi, mae cytundeb a lunnir yn gyfreithiol ychydig yn wahanol i roi grant i awdurdod lleol.

**Mr Shortridge:** Pan roddwn grantiau i awdurdodau lleol, yr ydym yn gosod amodau arnynt. O’r blaen mae gennyf, yn ôl yr hyn a ddywedir wrthyf, amod grant safonol i awdurdod lleol ynghylch rhoi mynediad i’r SAG. Mae’n dweud:

‘Mae’n ofynnol rhoi hawl mynediad i’r Archwiliwr a’r Archwiliwr Cyffredinol. O dan Ddeddf Archwilio Cenedlaethol 1983, mae gan yr Archwiliwr a’r Archwiliwr Cyffredinol hawl i archwilio economi, effeithiolrwydd ac effeithlonrwydd y gweithgareddau hynny y darperir y grant yn benodol ar eu cyfer. Mae’r pwerau hyn yn berthnasol i’r prosiect a’r cynllun grant hwn.’

Felly, credaf fod yr amod sydd yng nghytundeb adran 165, er nad yw’r geiriau yn union yr un peth, yn gyson ag ef, a dyna pam y dywedais nad oeddwn yn credu fod unrhyw beth arbennig o anarferol yn y cytundeb adran 165.

[24] **Janet Davies:** Wrth roi grantiau i awdurdodau eraill, ar wahân i Gaerdydd, a ydych erioed wedi dod ar draws y sefyllfa hon gydag unrhyw gyngor arall pan fyddant wedi derbyn grantiau?

**Mr Shortridge:** Naddo.

[25] **Janet Davies:** Felly mae’n ymddangos mai hon yw’r unig enghraifft?

**Mr Shortridge:** Ydyw, ac mae’n debyg bod hynny’n mynd yn ôl i bwynt Miss Halford. Fel arfer byddwn o’r farn bod y ffordd y mae’r amod wedi’i lunio yn ddigon cadarn i ddelio gyda’r amgylchiadau.

[26] **Janet Davies:** Iawn. Mr Shortridge, yr wyf yn llwyr ymwybodol bod gan lywodraeth leol ei statws a’i hannibyniaeth ei hun a derbyniaf yn gyfan gwbl na ddylem fod yn wrthwynebus heb fod angen ac na ddylem rithro i ddefnyddio’r gyfraith cyn i ni archwilio pob llwybr posibl arall. Er hynny, oni theimlwch fod yr amser wedi dod o bosibl i ddechrau trafodaethau rhwng y ddau

out in the open—but do you not feel that it is time to proceed to that step even if we do not necessarily go any further at this time?

**Mr Shortridge:** I accept that we may well be very close to that position. Just to expand on an answer that I was giving earlier, because of the really quite unusual and special circumstances, I had not wanted to rush to that approach. I did think—particularly in view of the fact that the Auditor General felt able to produce this report—that it was probably best that I should wait for this hearing, and get a feel for the Committee's views on these matters before I took any further steps.

[27] **Janet Davies:** May I ask one last question? Does the harbour authority have legal standing? Does it have obligations in law outside those of local government?

**Mr Shortridge:** My understanding is that it is a committee of the local authority, so that, I think, would mean that it is indivisible from the local authority. Therefore, at law, any action would be with the authority itself.

[28] **Dafydd Wigley:** Ann, do you want to come in on this?

[29] **Ann Jones:** Thanks, Chair. Following what Janet just said when she asked you about the section 165 agreement, I just wondered how many such agreements do we have with authorities? Obviously, I will not hold you to account for an odd one or two missed out, but I just want a rough idea of the problem.

**Mr Shortridge:** To the best of my understanding, as far as Wales is concerned, the section 165 agreements are unique to the wind-up of Cardiff Bay Development Corporation. We have two agreements with Cardiff council and one with the Vale of Glamorgan council. The one with the Vale is much less complex than those with Cardiff, because the assets and liabilities that were transferred to the Vale on the wind-up of CBDC were really quite limited. However, that section 165 agreement is working very satisfactorily as far as I am concerned and,

gorff gyda chyfreithwyr—nid yn agored—ond oni theimlwch fod yr amser wedi dod i ni symud tuag at y cam hwnnw hyd yn oed os nad ydym o reidrwydd yn mynd ymhellach ar hyn o bryd?

**Mr Shortridge:** Yr wyf yn derbyn ein bod o bosibl yn agos iawn at y sefyllfa honno. I ymhelaethu ar ateb yr oeddwn yn ei roi yn gynharach, oherwydd yr amgylchiadau arbennig ac eithaf anghyffredin, nid oeddwn ar frys i ddilyn y trywydd hwnnw. Meddyliais—yn arbennig oherwydd bod yr Archwiliwr Cyffredinol wedi gallu cynhyrchu'r adroddiad hwn—mai'r peth gorau i'w wneud fyddai disgwyl am y gwrandawriad hwn a chael blas am farn y Pwyllgor ar y materion hyn cyn i mi gymryd camau pellach.

[27] **Janet Davies:** A gaf ofyn un cwestiwn arall? A oes gan awdurdod y porthladd statws cyfreithiol? A oes ganddo gyfrifoldebau o dan y gyfraith ar wahân i rai llywodraeth leol?

**Mr Shortridge:** Yn ôl yr hyn a ddeallaf, un o bwyllgorau'r awdurdod lleol ydyw ac felly, mae hyn, fe gredaf, yn golygu na ellir ei wahanu oddi wrth yr awdurdod lleol. Felly, o dan y gyfraith, byddai unrhyw weithredu yn digwydd yn erbyn yr awdurdod ei hun.

[28] **Dafydd Wigley:** Ann, a hoffech ddweud rhywbeth ar hyn?

[29] **Ann Jones:** Diolch, Gadeirydd. Yn dilyn yr hyn y mae Janet newydd ei ddweud pan ofynnodd i chi am gytundeb adran 165, ys gwn i faint o gytundebau o'r fath sydd gennym gydag awdurdodau lleol? Ni fyddaf, wrth gwrs, yn eich dal yn atebol am fethu un neu ddau, ond hoffwn gael bras syniad o'r broblem.

**Mr Shortridge:** Hyd y gwn i, o safbwynt Cymru, mae'r cytundebau adran 165 yn unigryw i ddirwyn Corfforaeth Datblygu Bae Caerdydd i ben. Mae gennym ddau gytundeb gyda chyngor Caerdydd ac un gyda chyngor Bro Morgannwg. Mae'r un gyda'r Fro yn llawer llai cymhleth na'r rhai sydd gennym gyda Chaerdydd oherwydd nad oedd yr asedau a'r rhwymedigaethau a drosglwyddwyd i'r Fro yn sgîl dirwyn y gorfforaeth i ben yn fawr iawn a dweud y gwir. Fodd bynnag, mae'r cytundeb adran 165 hwnnw'n gweithio'n foddhaol iawn yn

indeed, I think, as far as the Auditor General is concerned.

[30] **Jocelyn Davies:** On the section 165 agreement and the role of the district auditor, it seems as though you are suggesting today that the district auditor has access to the books of Cardiff council. He would have, would he not, without the existence of the section 165 agreement?

**Mr Shortridge:** Yes, he would and he does, although I imagine that, at some point, you are going to ask me about paragraph 3.9, because what is in there does constitute a qualification to the answer that I have just given you. When the Committee is ready, I will address that issue.

[31] **Jocelyn Davies:** It is just a point of observation that I wanted to make, Chair. Surely, because of the very fact that the section 165 agreement included reference to audit arrangements, both parties to that agreement would expect it to be on top of what would already exist if the agreement had never taken place?

**Mr Shortridge:** I can only answer for what I would think. I do not think that I can properly answer for the council. Certainly, my reading of the section 165 agreement is that this is over and above the existing arrangements. My auditors are the NAO, and I would want to be satisfied that the National Audit Office is indeed satisfied with the way in which the harbour authority is spending the money. As this Committee knows, I always look to my external auditors for appropriate assurance, and I have always maintained a very open relationship with them, because I think that, as a person in a position of public accountability, as I am, that is the only appropriate course to take.

[32] **Dafydd Wigley:** Janice, do you want to come in on this?

[33] **Janice Gregory:** Mr Shortridge, we have the report before us. Are you satisfied that the information provided in this report is factual, and are you therefore satisfied—taking you on from your previous answer—that the NAO has had enough access to information to prepare a factual report?

fy marn i, ac yn wir, mi gredaf, ym marn yr Archwiliwr Cyffredinol hefyd.

[30] **Jocelyn Davies:** Ar fater y cytundeb adran 165 a rôl yr archwiliwr dosbarth, mae'n ymddangos fel pe baech yn awgrymu heddiw bod gan yr archwiliwr dosbarth fynediad at lyfrau cyngor Caerdydd. Byddai hynny ganddo, oni fyddai, heb fodolaeth y cytundeb adran 165?

**Mr Shortridge:** Byddai, mi fyddai ac mae ganddo, er y tybiaf eich bod, ar ryw bwynt, yn mynd i ofyn i mi am baragraff 3.9, oherwydd mae'r hyn sy'n gynwysedig yno yn manylu ar yr ateb yr wyf newydd ei roi i chi. Pan fydd y Pwyllgor yn barod, byddaf yn mynd i'r afael â'r mater hwnnw.

[31] **Jocelyn Davies:** Dim ond sylw yr oeddwn am ei wneud ydoedd hyn, Gadeirydd. Does bosibl, oherwydd yr union ffaith bod cyfeiriad yn y cytundeb adran 165 at drefniadau archwilio, y byddai'r rhai sydd ynghlwm wrth y cytundeb hwnnw yn disgwyl iddo fod yn ychwanegol at yr hyn a fyddai'n bodoli eisoes pe na byddai'r cytundeb wedi'i lunio erioed?

**Mr Shortridge:** Dim ond rhoi fy marn i y gallaf wrth ateb. Ni chredaf y gallaf ateb yn iawn dros y cyngor. Yn sicr, fy nealltwriaeth i o'r cytundeb adran 165 yw ei fod yn ychwanegol at y trefniadau presennol. Fy archwilwyr i yw'r SAG a byddwn am fod yn fodlon bod y Swyddfa Archwilio Genedlaethol yn fodlon â'r ffordd y mae awdurdod y porthladd yn gwario'r arian. Fel y gŵyr y Pwyllgor hwn, byddaf bob amser yn edrych am sicrwydd priodol gan fy archwilwyr allanol, ac yr wyf wastad wedi cynnal perthynas agored iawn â hwynt, oherwydd credaf, mai i berson sydd yn atebol i'r cyhoedd, fel sy'n wir amdanaf fi, dyna'r unig lwybr i'w dilyn.

[32] **Dafydd Wigley:** Janice, a hoffech ddweud rhywbeth ar hyn?

[33] **Janice Gregory:** Mr Shortridge, mae'r adroddiad gennym o'n blaen. A ydych yn fodlon bod y wybodaeth a ddarperir yn yr adroddiad hwn yn ffeithiol ac, os felly, a ydych yn fodlon—yn sgîl eich ateb blaenorol—bod y SAG wedi cael mynediad digonol at wybodaeth er mwyn paratoi adroddiad ffeithiol?

**Mr Shortridge:** I have agreed the factual accuracy of this report. I certainly would not want to question its factual accuracy. I acknowledge the difficulty that the Auditor General has had in preparing chapter 3, in particular, of this report. However, in signing this report off, I have had regard to the information that we hold, which, for the most part, we get from Cardiff County Council, and I have had regard to the exchanges that we have had with the Auditor General's officials on its content. So, the impression that I have is that the Auditor General has been able to sufficiently satisfy himself in order to sign off this report. However, I do not want to misrepresent the Auditor General and he obviously has an opportunity, if he wants to, to comment on that.

[34] **Janice Gregory:** May I explore that a bit further, Chair?

[35] **Dafydd Wigley:** Yes.

[36] **Janice Gregory:** So, as the accounting officer, you are happy that what is in the report is fact and that access to this information was provided in some way, shape or form—but how it was gathered was not with the ease that we would have expected with the section 165 agreement in place—and that the information was not withheld and had been actually gained to produce a report of sufficient accuracy to be placed before the Audit Committee?

**Mr Shortridge:** Yes, but I would not want that answer to be overstated, in fairness to the Auditor General. To a significant extent, I imagine that he has taken his assurance from access to the information that we hold from Cardiff council. The draft report was shared with the council, as I understand it, so that it had the opportunity to comment on it, as indeed it did. However, I would also, I think, have to refer you again to paragraph 3.9, because what neither the Auditor General nor I have is the benefit of the Audit Commission's own certificate on these relevant accounts. Clearly, everything in this report needs to be read with the knowledge and appreciation of that.

[37] **Dafydd Wigley:** On 3.9, clearly, it is very unsatisfactory that things are so late. At

**Mr Shortridge:** Yr wyf wedi cytuno bod ffeithiau'r adroddiad hwn yn gywir. Yn sicr ni fyddwn am amau ei gywirdeb ffeithiol. Yr wyf yn cydnabod yr anhawster y mae'r Archwiliwr Cyffredinol wedi'i gael wrth baratoi pennod 3 yr adroddiad hwn yn neilltuol. Fodd bynnag, wrth lofnodi'r adroddiad hwn, yr wyf wedi ystyried y wybodaeth sydd gennym, sydd yn dod gan Gyngor Sir Caerdydd gan mwyaf, ac yr wyf wedi ystyried y trafodaethau yr ydym wedi'u cael â swyddogion yr Archwiliwr Cyffredinol ar ei gynnwys. Felly, yr argraff sydd gennyf yw bod yr Archwiliwr Cyffredinol wedi gallu bodloni'i hun yn ddigonol i allu llofnodi'r adroddiad. Serch hynny, nid wyf am gamgynrychioli'r Archwiliwr Cyffredinol ac mae ganddo ef, wrth gwrs, gyfle, os yw'n dymuno, i roi sylwadau ar hynny.

[34] **Janice Gregory:** A gaf archwilio hynny ymhellach, Gadeirydd?

[35] **Dafydd Wigley:** Cewch.

[36] **Janice Gregory:** Felly, fel y swyddog cyfrifo, yr ydych yn hapus bod y wybodaeth yn yr adroddiad yn ffeithiol gywir a bod mynediad at y wybodaeth hon wedi cael ei ddarparu mewn rhyw ffordd neu'i gilydd—ond ni fu'r gwaith o'i chasglu mor hawdd â'r disgwyl gyda chytundeb adran 165 yn ei le—ac nad oedd y wybodaeth wedi'i chelu, yn wir derbyniwyd gwybodaeth er mwyn gallu cynhyrchu adroddiad a oedd yn ddigon cywir i'w osod gerbron y Pwyllgor Archwilio?

**Mr Shortridge:** Ydwyf, ond ni fyddwn am i'r ateb hwnnw gael ei orbwysleisio o ran tegwch i'r Archwiliwr Cyffredinol. I raddau helaeth, tybiaf ei fod wedi cymryd ei sicrwydd o'r wybodaeth yr ydym wedi'i derbyn gan gyngor Caerdydd. Rhannwyd yr adroddiad drafft â'r cyngor, yn ôl yr hyn a ddeallaf, fel ei fod wedi cael cyfle i roi sylwadau arno, a gwnaeth hynny. Fodd bynnag, tybiaf y byddai'n rhaid i mi hefyd eich cyfeirio eto at baragraff 3.9, oherwydd yr hyn nad oes gan yr Archwiliwr Cyffredinol na minnau yw mantais tystysgrif y Comisiwn Archwilio ei hun ar y cyfrifon perthnasol hyn. Mae'n amlwg bod angen darllen popeth yn yr adroddiad hwn gan gadw hynny mewn cof.

[37] **Dafydd Wigley:** Ar 3.9, yn sicr, mae'n anfodddhaol iawn bod pethau mor hwyr. Ar

this stage, we may just about have got it completed. How late is it?

**Mr Shortridge:** I will be corrected if I am wrong, but I think that we received the equivalent certificates in the case of the Vale of Glamorgan in December 2001, so we are now over four months behind the situation with the Vale and the Audit Commission is not yet in a position to undertake all its tests. May I say, Chair, that it was only when I read this report that I realised that this was the situation. As a result of my reading it, I have asked a colleague to write to the Audit Commission saying that, in my view, this work can now be undertaken and that there is no longer, in my view, any need to delay it. There was a legitimate reason for the delay, which goes back to one of the points that have already been made to me by Mr Cairns about the fact that there was too much drawdown at the end of the last financial year. I am satisfied that that was a genuine misunderstanding between ourselves and the council, but it did take some time to identify that issue and then sort it out. Until it could be sorted out, we were not in a position to be finalising the conditions of funding, which the Audit Commission needs in order for it to prepare its certificate. So, there are unfortunate, but, in my view, good reasons for the delay. However, I also think, particularly in the wider context of this report and what we were talking about earlier, that it is very important for the Audit Commission to be getting on with this work and that is why I have written to it and asked it to do it.

[38] **Dafydd Wigley:** Alun, do you want to come in on this?

[39] **Alun Cairns:** Cadeirydd, before we go on to other issues within the report, may I follow up on some of the questions that Janice Gregory asked? A question was asked, or a statement was made, about the factual accuracy of this report. Is not the focal point and the crux of the whole issue that we have discussed in the preceding 30 minutes or so that this may not be complete and that there may be additional information that needs to be added to the document on which we can ask questions and take evidence? Is that not the whole point of everything that we have

hyn o bryd, efallai bod popeth bron wedi'i gwblhau gennym. Pa mor hwyr ydyw?

**Mr Shortridge:** Cewch fy nghywiro os ydwyf yn anghywir, ond tybiaf ein bod wedi derbyn y tystysgrifau cyfatebol yn achos Bro Morgannwg ym mis Rhagfyr 2001, ac felly yr ydym dros bedwar mis ar ei hôl hi gyda sefyllfa'r Fro ac nid yw'r Comisiwn Archwilio mewn sefyllfa hyd yma i ymgymryd â'i holl brofion. Hoffwn ddweud, Gadeirydd, mai dim ond ar ôl i mi ddarllen yr adroddiad hwn y sylweddolais mai dyma oedd y sefyllfa. Yn sgîl ei ddarllen, yr wyf wedi gofyn i gydweithiwr ysgrifennu at y Comisiwn Archwilio yn dweud, yn fy marn i, y gellir ymgymryd â'r gwaith hwn ac nad oes erbyn hyn, yn fy marn i, unrhyw angen i'w ohirio. Yr oedd rheswm dilys dros yr oedi sy'n gysylltiedig ag un o'r pwyntiau a godwyd eisoes gan Mr Cairns ynghylch y ffaith bod gormod o arian wedi'i dynnu o'r cyfrif ar ddiwedd y flwyddyn ariannol ddiwethaf. Yr wyf yn fodlon fod hynny'n gamddealltwriaeth dilys rhyngom ni a'r cyngor, ond cymerwyd cryn amser i nodi'r mater hwnnw ac wedyn rhoi trefn arno. Hyd oni ellid rhoi trefn ar hynny, nid oeddem mewn sefyllfa i roi trefn derfynol ar amodau'r ariannu, rhywbeth sydd ei angen ar y Comisiwn Archwilio er mwyn iddo allu paratoi ei dystysgrif. Felly, mae rhesymau anffodus, ond da, yn fy marn i, am yr oedi. Fodd bynnag, credaf hefyd, yn arbennig yng nghyd-destun ehangach yr adroddiad hwn, a'r hyn yr oeddem yn ei drafod yn gynharach, ei fod yn bwysig iawn bod y Comisiwn Archwilio yn bwrw ymlaen â'r gwaith hwn a dyna pam yr wyf wedi ysgrifennu ato a gofyn iddo wneud hynny.

[38] **Dafydd Wigley:** Alun, a hoffech ddweud rhywbeth ar hyn?

[39] **Alun Cairns:** Gadeirydd, cyn i ni symud ymlaen at faterion eraill yn yr adroddiad, hoffwn gyfeirio at rai o'r cwestiynau a ofynnwyd gan Janice Gregory. Gofynnwyd cwestiwn, neu gwnaethpwyd datganiad, ynghylch cywirdeb ffeithiol yr adroddiad. Onid prif ffocws a chraidd y mater cyfan yr ydym wedi bod yn ei drafod yn y 30 munud ac ati diwethaf yw y gallai'r adroddiad fod yn anghyflawn ac efallai bod angen ychwanegu mwy o wybodaeth at y ddogfen y gallwn ofyn cwestiynau arni a chymryd tystiolaeth? Onid hynny yw holl

discussed? It may not be complete; there may be additional points to be made in this and the point is that the Auditor General for Wales has not had access to ensure that it is complete.

**Mr Shortridge:** May I put it this way? I am satisfied, on the basis of the information to which my colleagues and I have access, that this is a complete report that fairly represents the position in 2000-01. However, to agree with Mr Cairns, there must be two caveats to that. I cannot give an absolute assurance. Firstly, because the Committee knows that the Auditor General is, at the very best, disappointed that he has not had as direct access as he would have liked, and secondly, because neither he nor I have the benefit of the Audit Commission's certificate. It is a matter of judgment, and only time will tell whether, when both those things have resolved themselves, you would end up with a materially different report. Where I am sitting, I would be very, very surprised indeed if you were to, but I cannot give you an absolute assurance.

[40] **Dafydd Wigley:** We really should move on. Janet, if you ask your question, I will then wind up on this part.

[41] **Janet Davies:** Mr Shortridge, you mentioned a couple of caveats and you also talked about genuine misunderstandings. However, as these affect the Assembly's accounts, do you not see that it is possible that the Assembly's accounts could be qualified if this is not resolved?

**Mr Shortridge:** I am concerned about the absence of the Audit Commission's certificate, and it was for that reason that the moment I read that, I took this action to ask it to bring forward the work on it, because I think that the NAO's patience could run out in the absence of a certificate like that. So that is an important matter in relation to the accounts. In terms of what the Committee regards as the inadequacy of access to papers, whether that in itself would be sufficiently serious necessarily to constitute a reason for qualifying our appropriation account is a matter for the Auditor General, but not for me.

[42] **Dafydd Wigley:** There are a number of

fyrddwn yr hyn yr ydym wedi'i drafod? Efallai nad yw'n gyflawn; efallai bod pwyntiau ychwanegol i'w gwneud a'r pwynt yw nad yw Archwiliwr Cyffredinol Cymru wedi cael mynediad er mwyn sicrhau ei fod yn gyflawn.

**Mr Shortridge:** A gaf ei roi fel hyn? Yr wyf yn fodlon, ar sail y wybodaeth sydd ar gael i mi a'm cydweithwyr, fod hwn yn adroddiad cyflawn sy'n cynrychioli'r sefyllfa yn 2000-01 yn deg. Fodd bynnag, i gytuno â Mr Cairns, rhaid nodi dau gafeat i hynny. Ni allaf roi sicrwydd llwyr. Yn gyntaf, oherwydd bod y Pwyllgor yn gwybod bod yr Archwiliwr Cyffredinol yn siomedig a dweud y lleiaf nad oedd wedi cael cystal mynediad ag y dymunai ac, yn ail, gan nad oes ganddo ef na minnau fantais tystysgrif y Comisiwn Archwilio. Mater o farn ydyw, a dim ond amser a ddengys, pan fydd y ddau beth hyn wedi cael eu datrys, a fydddech yn cael adroddiad a fyddai'n gwbl wahanol. Yn fy marn i, byddwn yn synnu'n fawr iawn pe bai hynny'n digwydd, ond ni allaf roi sicrwydd llwyr i chi.

[40] **Dafydd Wigley:** Dylem symud ymlaen. Janet, os gofynnwch eich cwestiwn, gallaf wedyn ddirwyn y rhan yma i ben.

[41] **Janet Davies:** Mr Shortridge, crybwyllwyd dau gafeat gennych a soniasoch hefyd am gamddealltwriaeth gwirioneddol. Fodd bynnag, gan bod y rhain yn effeithio ar gyfrifon y Cynulliad, oni welwch y gellid amodi cyfrifon y Cynulliad oni fydd hyn yn cael ei ddatrys?

**Mr Shortridge:** Yr wyf yn bryderus am absenoldeb tystysgrif y Comisiwn Archwilio, a dyna pam, yn syth ar ôl i mi ddarllen hynny, y gweithredais fel hyn a gofyn iddo fwrw ymlaen â'r gwaith arno gan y teimlaf y gallai'r SAG gollu amynedd yn sgîl absenoldeb tystysgrif o'r fath. Felly mae hynny'n fater pwysig o ran y cyfrifon. O ran beth y creda'r Pwyllgor yw mynediad annigonol at bapurau, mater i'r Archwiliwr Cyffredinol, ond nid i mi, fyddai ystyried a yw hynny ynddo'i hun yn rheswm digon difrifol dros amodi ein cyfrif dosbarthu.

[42] **Dafydd Wigley:** Wrth i mi ddirwyn y

matters, as I wind up on this part, before moving on to the rest of the report. You have referred to a number of discussions that have taken place over a period of time. Has there also been correspondence?

**Mr Shortridge:** Yes, there has.

[43] **Dafydd Wigley:** Would you be in a position to make that correspondence available to the Committee?

**Mr Shortridge:** I will certainly share with you the letters that we have sent. I will look at the replies, but I think that it is most unlikely that I would have any grounds for not sharing them with you, so with that tiny caveat, I will make them available to you.

[44] **Dafydd Wigley:** I would be grateful for that. Do you accept that this is a matter of principle and it could become a matter of precedent, where these section 165 agreements or similar agreements have clauses in them that are not being abided by? Do you not share our concern that, even if this report, as it is currently presented, is full and factual—we do not know that it is, but nevertheless—there needs to be an assurance that, when we appoint somebody to do work on our behalf, we have that access? If so, what steps do you as accounting officer for the Assembly intend to take arising from this discussion today and the Auditor General's clear unhappiness, as you put it, in order to get the clauses of that agreement fully implemented?

**Mr Shortridge:** Following this hearing, I will want to have a meeting with the Auditor General, or whomever he nominates to speak to me, so that we can discuss these issues fully again with him. In light of that discussion, I will decide what further action either we together, or separately, should take, but I would mention to the Committee that the action I take, informed by those discussions, must acknowledge two things. First, is to acknowledge what legal advice I receive on what constitutes reasonable access—and what constitutes reasonable access may not be what the Committee would ideally like it to be—and the second thing is to acknowledge what I was saying earlier

drafodaeth ar y rhan hon i ben mae nifer o faterion i'w codi cyn i ni symud ymlaen i drafod gweddill yr adroddiad. Yr ydych wedi cyfeirio at nifer o drafodaethau sydd wedi digwydd dros gyfnod o amser. A fu gohebu hefyd?

**Mr Shortridge:** Do.

[43] **Dafydd Wigley:** A allech adael i'r Pwyllgor weld yr ohebiaeth honno?

**Mr Shortridge:** Yn sicr rhannaf y llythyrau yr ydym ni wedi'u hanfon. Mi edrychaf ar yr atebion, ond tybiaf ei bod yn annhebygol iawn y byddai gennyf unrhyw sail dros beidio â'u rhannu gyda chi, ac felly gyda'r cafeat bychan iawn hwnnw, byddaf yn eu rhoi ar gael i chi.

[44] **Dafydd Wigley:** Byddwn yn ddiolchgar iawn am hynny. A dderbyniwch fod hyn yn fater o egwyddor ac y gallai ddod yn fater o gynsail, lle na chydymffurfir â chymalau o fewn y cytundebau adran 165 hyn neu gytundebau tebyg. Onid ydych yn rhannu ein pryder, hyd yn oed os yw'r adroddiad hwn, fel y'i cyflwynir ar hyn o bryd, yn gyflawn ac yn ffeithiol gywir—nid ydym yn gwybod hynny, ond er hynny—fod angen sicrwydd, pan fyddwn yn penodi rhywun i wneud gwaith ar ein rhan, fod gennym y mynediad hwnnw? Os felly, pa gamau y bwriadwch eu cymryd fel swyddog cyfrifo'r Cynulliad, ac yn sgîl y drafodaeth hon heddiw ac anfodlonrwydd amlwg yr Archwiliwr Cyffredinol, yn eich geiriau chi, er mwyn sicrhau bod cymalau'r cytundeb hwnnw yn cael eu gweithredu'n llawn?

**Mr Shortridge:** Yn dilyn y gwrandawriad hwn, byddaf am gael cyfarfod gyda'r Archwiliwr Cyffredinol, neu gyda phwy bynnag y bydd yn ei enwebu i siarad â mi, fel y gallwn drafod y materion hyn yn llawn eto gydag ef. Yng ngoleuni'r drafodaeth honno, byddaf yn penderfynu pa gamau pellach i'w cymryd, naill ai gyda'n gilydd, neu ar wahân, ond dywedaf wrth y Pwyllgor y bydd yn rhaid i'r camau a gymeraf, wedi'u goleuo gan y trafodaethau hyn, gydnabod dau beth. Yn gyntaf, cydnabod y cyngor cyfreithiol a dderbyniaf ynghylch beth yw mynediad rhesymol—ac efallai na fydd y mynediad rhesymol hwnnw yr union beth yr hoffai'r Pwyllgor iddo fod—ac yn ail, cydnabod yr

about the limits of my authority as accounting officer in dealing with the local authority and that, therefore, it may well not be action that I can take individually. I may need to be advising others.

[45] **Dafydd Wigley:** Right. You will be aware that we as a Committee do take the matter extremely seriously when there is £55 million of public money at stake and when we cannot be absolutely sure that we have all the facts—we may well have them, but we cannot be sure, this is the whole point—and where it seems to us that the provisions of a legal agreement have not been implemented. As a Committee, I think that we would expect you to take whatever steps necessary to put that right, as it is a matter of principle and of the credibility of the Assembly. We may well want to return to this issue, seeing as you are going to have further discussions on it, to learn what steps you have taken—before we adjourn for the summer I would suggest, possibly in our July meeting. I hope that that is reasonable and acceptable.

**Mr Shortridge:** Certainly, I think, in the light of that summing up, Chair, the very least that I need to do is to write to you once I have had my discussions and let you know what position I have taken.

[46] **Dafydd Wigley:** I would be grateful for that.

[47] **Janice Gregory:** Chair, I would appreciate your guidance on this matter. I do not know how other members feel, but I feel distinctly uncomfortable now that we are going to further discuss a report which we do not know is actually complete or not.

[48] **Dafydd Wigley:** Yes, this matter was in fact raised when we had an informal meeting to discuss this report earlier. It was suggested by Alun Cairns, I think, that we should abandon discussion because of the worry about whether this report is complete and accurate. My belief is that there are a number of important questions that do arise out of the report, on the basis of the figures that we

hyn yr oeddwn yn ei ddweud yn gynharach ynghylch terfyn fy awdurdod fel swyddog cyfrifo wrth ddelio â'r awdurdod lleol, ac efallai, felly, na fyddaf yn gallu gweithredu'n bersonol. Efallai y bydd angen i mi gynghori eraill.

[45] **Dafydd Wigley:** Iawn. Byddwch yn ymwybodol ein bod fel Pwyllgor yn cymryd y mater yn hynod o ddifrifol pan fo £55 miliwn o arian cyhoeddus yn y fantol a phan na allwn fod yn gwbl siŵr ein bod yn meddu ar yr holl ffeithiau—efallai eu bod i gyd gennym, ond ni allwn fod yn siŵr, dyna'r holl bwynt—a lle bo'n ymddangos inni nad yw darpariaethau cytundeb cyfreithiol wedi cael eu gweithredu. Fel Pwyllgor, credaf y byddwn yn disgwyl i chi gymryd unrhyw gamau sy'n angenrheidiol i unioni hynny, gan ei fod yn fater o egwyddor ac o hygredd y Cynulliad. Mae'n ddigon posibl y byddwn am ddychwelyd at y mater hwn, gan y byddwch yn cynnal trafodaethau pellach arno, er mwyn cael gwybod pa gamau y byddwch wedi'u cymryd—cyn i ni dorri am yr haf. Awgrymaf i hyn ddigwydd yn ein cyfarfod ym mis Gorffennaf o bosibl. Gobeithio bod hyn yn rhesymol ac yn dderbyniol.

**Mr Shortridge:** Yn sicr, credaf, yng ngoleuni'r crynhoi, Gadeirydd, mai'r peth lleiaf y bydd angen i mi ei wneud fydd ysgrifennu atoch unwaith y byddaf wedi cael fy nhrafodaethau a rhoi gwybod i chi beth yr wyf wedi'i wneud.

[46] **Dafydd Wigley:** Byddwn yn ddiolchgar i chi am hynny.

[47] **Janice Gregory:** Gadeirydd, byddwn yn gwerthfawrogi eich arweiniad ar y mater hwn. Ni wn sut y mae'r aelodau eraill yn teimlo, ond teimlaf yn hynod anghyfforddus ein bod yn awr am drafod ymhellach adroddiad nad ydym yn gwybod a yw'n gyflawn neu beidio.

[48] **Dafydd Wigley:** Ie. Yn wir, codwyd y mater hwn pan gawsom gyfarfod anffurfiol i drafod yr adroddiad hwn yn gynharach. Credaf mai Alun Cairns a awgrymodd y dylem roi'r gorau i'r trafod oherwydd yr ansicrwydd ynghylch a yw'r adroddiad yn gywir ac yn gyflawn. Credaf fod nifer o gwestiynau pwysig yn codi yn sgîl yr adroddiad, ar sail y ffigurau sydd gennym,

have, that are worth exploring. Mr Shortridge has referred to some already. I think that we perhaps need to be fairly quick in going through them. However, I do take the point and any consideration that we have, as you rightly say, Janice, must be considered in the light that the report may be full and factual, but that there may be some doubts about it.

Symudaf ymlaen i ofyn cwestiwn ynglŷn â ffigur 2.4, sy'n disgrifio sut y rhoddwyd grant o £3.3 miliwn i gyngor Caerdydd cyn bod ei angen. Sut y digwyddodd hynny a pham na lwyddodd ein trefniadau monitro ni i sylwi ar hyn nes ar ôl diwedd y flwyddyn ariannol? Mae Alun Cairns wedi cyffwrdd ar hyn yn barod ond credaf ei bod yn briodol ein bod yn gofyn pam na fu inni lwyddo i gael y wybodaeth.

**Mr Shortridge:** I may need to call on one of my colleagues if the Committee wants a more detailed explanation than I can give. However, basically, the position is that, at the year-end of March 2001, Cardiff council, with our agreement, drew down a more significant sum of money than it would normally do on a monthly basis. We did consider very carefully whether that was the appropriate sum but, on the information that we had at the time, and after consulting our chief accountant, we thought it was reasonable and appropriate, given the funding stream that the council had and certain capital expenditure. In our monitoring arrangements, as I explained earlier, in around July/August, we determined that this was, in the event, a significant sum of money drawn down in advance of need. We raised this matter with the council's officials and, at that point, it became clear that there was a difference of interpretation in the way in which the expenditure drawdown arrangements of our agreement with it was to be applied. Cardiff council thought that it could draw down in accordance with the profile. Our view was that the drawdown had to be informed by the profile but on the basis of actual expenditure. It took some time to resolve that difference of opinion. We had not resolved the difference of opinion by the turn of the year, so, at that point, we invoked our right, not so much to claw back, but to cease our payments to it until we got the books back into balance. We now have—I think that it was earlier this week or possibly last week—reached a clear

sy'n werth rhoi sylw iddynt. Mae Mr Shortridge wedi cyfeirio at rai ohonynt eisoes. Credaf y dylem fynd drwyddynt yn eithaf cyflym. Serch hynny, yr wyf yn derbyn y pwynt, ac mae'n rhaid i ni ystyried unrhyw fater a fydd gennym, fel y dywedwyd yn iawn gennyh Janice, yng ngoleuni'r ffaith y gall yr adroddiad fod yn llawn ac yn ffeithiol, ond y gallai fod rhai amheuon yn ei gylch.

I move on to ask a question about figure 2.4, which describes how a grant of £3.3 million was given to Cardiff council in advance of need. How did that happen and why did our monitoring arrangements not pick this up until after the end of the financial year? Alun Cairns has touched on this already but I believe that it is appropriate that we ask why we did not manage to get the information.

**Mr Shortridge:** Efallai y bydd angen imi alw ar un o'm cydweithwyr os bydd y Pwyllgor am gael esboniad manylach na'r un y gallaf i ei roi. Fodd bynnag, y sefyllfa gyffredinol yw i gyngor Caerdydd, ar ddiwedd y flwyddyn yn diweddu Mawrth 2001, gyda'n cytundeb ni, gael llawer mwy o arian nag y byddai'n ei gael yn fisol fel arfer. Bu inni ystyried yn ofalus iawn a oedd hynny'n swm priodol ond, ar sail y wybodaeth a oedd gennym ar y pryd, ac wedi ymgynghori â'n prif gyfrifydd, yr oeddem o'r farn bod y swm yn rhesymol ac yn briodol, o ystyried y llif cyllid a oedd gan y cyngor a gwariant cyfalaf neilltuol. Yn ein trefniadau monitro, fel yr eglurais yn gynharach, o gwmpas Gorffennaf/Awst, yr oeddem yn teimlo bod hyn yn swm sylweddol o arian i'w gael cyn pennu'r angen. Codasom y mater hwn gyda swyddogion y cyngor a, bryd hynny, daeth yn amlwg bod y trefniadau cael arian yn ein cytundeb ni gyda'r cyngor yn cael eu dehongli'n wahanol. Credai cyngor Caerdydd y gallai gael arian yn unol â'r proffil. Ein barn ni oedd fod yn rhaid i'r arian a dderbyniwyd fod yn seiliedig ar y proffil ond ar sail gwariant gwirioneddol. Cymerwyd cryn amser i ddatrys yr amrywiaeth barn hwnnw. Nid oeddem wedi datrys yr amrywiaeth barn erbyn troad y flwyddyn ac felly, yr adeg hynny, defnyddiasom ein hawl, nid yn gymaint i adfachu, ond i atal ein taliadau i'r cyngor hyd nes i'r cyfrifon fantoli'n iawn unwaith eto. Yr ydym erbyn hyn—yn gynharach yr wythnos hon neu wythnos diwethaf o bosibl—wedi

understanding with the council that it is not entitled to draw down money in advance of need. In light of that understanding, we are therefore in a position to confirm that aspect of the condition of grant, which is very relevant to the audit certificate that I am looking for from the Audit Commission.

[49] **Dafydd Wigley:** So any agreements in future will have that clarified at the outset?

**Mr Shortridge:** We have learned that lesson. It is unfortunate, and I would not want to in any way disguise the fact that it was a serious matter that should not have happened. However, it is the case that we did have the systems and procedures in place to identify it without the need for audit, and we have addressed it.

[50] **Dafydd Wigley:** Thank you. Alison, do you want to come in on this?

[51] **Alison Halford:** Before I move on to my first question, which is all to do with the financial memorandum, you told us, Mr Shortridge, that you had your finger on the pulse of the financial expenditure because you were given monthly updates. Why, if you have such a keen appraisal of where the money is being spent, have you told us twice that you had to rely upon Sir John's report to discover that there was a four-month delay in producing the Vale's reports and, then, when Janet Davies told you that the National Assembly's accounts could possibly be jeopardised because of the delay, you said again that, when you read the report, you realised that you had to take more action. Can you please explain what seems to be a conflict in what you are saying?

**Mr Shortridge:** Sorry, I have forgotten the first half of that question.

[52] **Alison Halford:** You twice referred to having to read the Auditor General's report to realise that something had failed to happen. The first was that the Vale of Glamorgan's figures were four months late, and the second was in response to Janet Davies saying that if you did not get the certificate, the National Assembly's accounts could be jeopardised or qualified. You then said, 'when I read the

dod i ddealltwriaeth glir gyda'r cyngor nad oes ganddo hawl i gael arian cyn bod yr angen wedi'i bennu. Yng ngoleuni'r ddealltwriaeth hon, yr ydym felly mewn sefyllfa i gadarnhau'r agwedd honno ar amod y grant, sy'n berthnasol iawn i'r dystysgrif archwilio yr wyf yn ei cheisio gan y Comisiwn Archwilio.

[49] **Dafydd Wigley:** Felly bydd hyn yn cael ei egluro ar y cychwyn gydag unrhyw gytundebau yn y dyfodol?

**Mr Shortridge:** Yr ydym wedi dysgu'r wers honno. Mae'n anffodus, ac ni hoffwn guddio'r ffaith o gwbl ei fod yn fater difrifol na ddylasai fod wedi digwydd. Serch hynny, yr oedd y systemau a'r trefniadaethau ar waith gennym i allu'i ganfod heb fod angen archwiliad, ac yr ydym wedi rhoi sylw i'r mater.

[50] **Dafydd Wigley:** Diolch. Alison, a hoffech ddweud rhywbeth ar hyn?

[51] **Alison Halford:** Cyn i mi ofyn fy nghwestiwn cyntaf, sydd yn ymwneud â'r memorandwm ariannol, dywedasoeh wrthym, Mr Shortridge, fod eich bys ar byls y gwariant ariannol am eich bod yn derbyn y wybodaeth ddiweddaraf bob mis. Pam, os ydych yn meddu ar wybodaeth mor fanwl ynghylch ble mae'r arian yn cael ei wario, eich bod wedi dweud ddwywaith wrthym y bu'n rhaid i chi ddibyynu ar adroddiad Syr John i ganfod y pedwar mis o oedi gyda chynhyrchu adroddiadau'r Fro ac, wedyn, pan ddywedodd Janet Davies wrthyh y gallai'r oedi fod wedi peryglu cyfrifon y Cynulliad Cenedlaethol, dywedasoeh eto i chi sylweddoli, a hynny ar ôl i chi ddarllen yr adroddiad, y byddai'n rhaid i chi weithredu ymhellach. A allwch egluro beth sy'n ymddangos yn wrthdaro yn yr hyn yr ydych yn ei ddweud?

**Mr Shortridge:** Mae'n ddrwg gennyf, yr wyf wedi anghofio hanner cyntaf y cwestiwn.

[52] **Alison Halford:** Cyfeiriasoeh ddwywaith at y ffaith i chi orfod darllen adroddiad yr Archwiliwr Cyffredinol i sylweddoli bod rhywbeth heb ddigwydd. Y cyntaf oedd bod ffigurau Bro Morgannwg bedwar mis yn hwyr, a'r ail oedd mewn ymateb i Janet Davies yn dweud y gallai cyfrifon y Cynulliad gael eu hamodi neu eu peryglu pe na byddech yn cael y dystysgrif.

report’—in other words, you had to rely upon this document in order to press forward actions that you should have been able to take as our accounting officer.

**Mr Shortridge:** I think that my answer to that is that I do take my accounting officer responsibilities very seriously, but I do have—

[53] **Alison Halford:** That is not in doubt.

**Mr Shortridge:** If I can just continue, I do have a personal responsibility for £10 billion-worth of expenditure, and the way in which I exercise that responsibility is through a whole series of systems and people who are acting on my behalf. I literally cannot know everything that is going on, all the time.

In terms of the examples you have given me, I do not recall saying anything about things from the Vale being four months late. In the case of the point that was made about this leading to a qualification of our accounts, that is an issue that I had not addressed before this meeting, and I did not want to give a misleading answer. We have our accounts for 2000-01, so, as a matter of fact, the problems that we have had in respect of that year have not resulted in a qualification. However, I said that I thought that this would be something that I would expect the Auditor General and his staff to be looking at very carefully for future accounts.

Therefore, while I accept in part what you are saying, I do not know whether you necessarily fully supported—

[54] **Alison Halford:** I must qualify that. Alun has reminded me that, in fact, Cardiff’s accounts are even later than those of the Vale, so perhaps I was slightly confusing the Vale with Cardiff.

**Mr Shortridge:** Yes, that is the case, and I will certainly agree with you that, of all the things that I have read in this report, that is the one that I felt was the most serious. I did not know about it before I read the report, and I have acted upon it immediately. You can, if you want—and I would agree with you—say that it was a failure in the intelligence system to me, that I had to rely on the Auditor General.

Aethoch ymlaen wedyn i ddweud, ‘pan ddarllenais yr adroddiad’—mewn geiriau eraill, yr oedd yn rhaid i chi ddiwynnu ar y ddogfen hon i symud ymlaen â’r camau gweithredu y dylasech fod wedi gallu’u cymryd fel ein swyddog cyfrifo.

**Mr Shortridge:** Tybiaf mai fy ateb i hyn yw fy mod yn cymryd fy nyletswyddau fel swyddog cyfrifo yn ddifrifol iawn, ond mae gennyf—

[53] **Alison Halford:** Nid oes amheuaeth ynghylch hynny.

**Mr Shortridge:** Os gallaf barhau, mae gennyf gyfrifoldeb personol dros £10 biliwn o wariant, ac yr wyf yn ysgwyddo’r cyfrifoldeb hwnnw drwy ddefnyddio nifer o systemau a phobl sy’n gweithredu ar fy rhan. Nid yw’n bosibl i mi wybod popeth sy’n digwydd, drwy’r amser.

O ran yr enghreifftiau yr ydych wedi’u rhoi i mi, nid wyf yn cofio dweud unrhyw beth ynghylch fod pethau o’r Fro bedwar mis yn hwyr. O ran y pwynt a wnaed ynghylch hyn yn arwain at amodi ein cyfrifon, dyma fater nad oeddwn wedi rhoi sylw iddo cyn y cyfarfod hwn ac nid oeddwn am roi ateb camarweiniol. Mae cyfrifon 2000-01 gennym, ac felly, nid yw’r problemau a gafwyd gennym yn ystod y flwyddyn honno wedi arwain at amodi. Fodd bynnag, mi ddywedais fy mod yn credu y byddai hyn yn rhywbeth y byddwn yn disgwyl i’r Archwiliwr Cyffredinol a’i staff edrych arno yn ofalus iawn o ran cyfrifon y dyfodol.

Felly, er fy mod yn derbyn yn rhannol yr hyn yr ydych yn ei ddweud, nid wyf yn gwybod a wnaethoch o anghenraid gefnogi—

[54] **Alison Halford:** Mae’n rhaid i mi esbonio hynny. Mae Alun wedi fy atgoffa bod cyfrifon Caerdydd hyd yn oed yn hwyrach na chyfrifon y Fro, ac efallai fy mod yn drysu ychydig rhwng y Fro a Chaerdydd.

**Mr Shortridge:** Ie, mae hynny’n wir, ac yn sicr cytunaf â chi mai hyn, o’r holl bethau yr wyf wedi’u darllen yn yr adroddiad hwn, yw’r mater mwyaf difrifol yn fy marn i. Ni wyddwn amdano hyd nes i mi ddarllen yr adroddiad, ac yr wyf wedi gweithredu yn syth. Gallwch, os ydych yn dymuno—a byddwn yn cytuno â chi—ddweud mai methiant yn y system trosglwyddo gwybodaeth i mi oedd y ffaith i mi orfod diwynnu ar yr Archwiliwr Cyffredinol.

[55] **Alison Halford:** You might not know that I had a meeting with officials some time in January. The documentation for which I was looking seemed not to be readily available, and there were huge problems in assessing who was spending what, inasmuch as you had to recall an individual from retirement, who was an expert, to help put these figures together. I wonder, if it is not an unfair question, whether you have a comment on that.

**Mr Shortridge:** The report does say—forgive me, I may not be able to pick it up, but it is probably around about 2.11 to 2.13; yes, it is 2.13—or it implies that our staffing and support structure was not sufficiently strong in the early days. That is the case. There are a number of reasons for it: I think that, across the whole of the Assembly, as officials, we have been overstretched and stressed as a result of all the additional responsibilities that have come with the establishment of the Assembly. That did mean, unavoidably in my view, that certain parts of the office were too tightly staffed and, as a result, in some difficulty. In the case of this particular branch, which also has responsibility for the Wales Tourist Board, during the early part of last year, in addition to being short-staffed, it was distracted by the effect of the foot and mouth disease crisis. What we did, in response to those circumstances, was to bring back from retirement the person who had been head of that branch until very recently and who had been very, very closely involved in all the arrangements relating to the wind-up of Cardiff Bay Development Corporation. He worked for us on a consultancy basis from May of last year until April of this year. That was, with my approval, what we regarded as being the appropriate way of ensuring that I, as accounting officer, and the Assembly were able to have the assurances that we needed that this work was being properly undertaken.

[56] **Alison Halford:** Do you agree that the financial memorandum for the harbour authority is an important document?

**Mr Shortridge:** It is a very important document.

[57] **Alison Halford:** Therefore, why is it that it has been allowed not to be drawn together for a two-year period?

[55] **Alison Halford:** Efallai na wyddoch i mi gael cyfarfod gyda swyddogion rywbryd yn ystod mis Ionawr. Nid oedd y dogfennau yr oeddwn yn chwilio amdanynt ar gael yn hwylus iawn ac yr oedd problemau mawr wrth asesu pwy oedd yn gwario beth, i'r graddau y bu'n rhaid i chi alw arbenigwr a oedd wedi ymddeol yn ôl i'r gwaith i helpu i roi'r ffigurau hyn at ei gilydd. Tybed, os nad yw'n gwestiwn annheg, a oes gennyh sylwadau ar hynny.

**Mr Shortridge:** Dywed yr adroddiad—maddeuwch i mi, efallai na allaf ddod o hyd iddo, ond mae'n debyg ei fod o gwmpas 2.11 i 2.13; ie, 2.13—neu mae'n awgrymu nad oedd ein sdrwythur staffio a chymorth yn ddigon cryf yn y dyddiau cynnar. Yr oedd hynny'n wir. Mae nifer o resymau am hynny: credaf ein bod fel swyddogion, ar draws y Cynulliad drwyddo draw, wedi ein gorymestyn ac o dan straen oherwydd yr holl gyfrifoldebau ychwanegol a ddaeth yn sgîl sefydlu'r Cynulliad. Golygai hynny, yn anochel yn fy marn i, fod rhai rhannau o'r swyddfa heb ddigon o staff gan arwain at drafferthion. Yn achos y gangen neilltuol hon, sydd hefyd yn gyfrifol am Fwrdd Croeso Cymru, yn ystod rhan gyntaf y llynedd, yn ychwanegol at fod yn brin o staff, effeithiwyd arni gan argyfwng clwy'r traed a'r genau. Yr hyn a wnaethom, er mwyn ymateb i'r amgylchiadau hynny, oedd dychwelyd o'i ymddeoliad y person a fuasai'n bennaeth yr adran honno tan yn ddiweddar iawn ac a oedd wedi bod yn ymwneud yn agos iawn iawn â'r holl drefniadau i ddirwyn Corfforaeth Datblygu Bae Caerdydd i ben. Gweithiodd i ni fel ymgynghorydd o fis Mai y llynedd tan Ebrill eleni. Gyda fy nghymeradwyaeth i, penderfynwyd mai hyn oedd y ffordd briodol o sicrhau fy mod i, fel y swyddog cyfrifo, a'r Cynulliad yn gallu cael y sicrwydd yr oedd ei angen arnom fod y gwaith hwn yn cael ei wneud yn iawn.

[56] **Alison Halford:** A ydych yn cytuno bod y memorandwm ariannol ar gyfer awdurdod y porthladd yn ddogfen bwysig?

**Mr Shortridge:** Mae'n ddogfen bwysig iawn.

[57] **Alison Halford:** Felly, pam y caniatwyd iddo beidio â chael ei gynhyrchu am gyfnod o ddwy flynedd?

**Mr Shortridge:** There are two reasons why it has not—

**Mr Shortridge:** Mae dau reswm pam nad yw—

[58] **Alison Halford:** Have we got one yet?

[58] **Alison Halford:** A oes gennym un eto?

**Mr Shortridge:** We have a draft document, which we, as officials, are working to. The reason it has not been finalised is that there have been two elements in it that have been in dispute. One relates to the drawdown of grant, which I have explained to the Committee, and the other relates to the value added tax arrangements. The VAT arrangements have not yet been finally resolved. However, the view I have taken is that, as there were no VAT payments made by the Assembly to the harbour authority in 2000-01, there is absolutely no reason why the agreement cannot be signed with that as a small element to be sorted out for the future. It is on that basis that I have asked the Audit Commission to proceed with its work to provide an audit certificate.

**Mr Shortridge:** Mae gennym ddogfen ddrafft yr ydym ni, fel swyddogion, yn gweithio iddi. Y rheswm pam nad yw'r ddogfen derfynol wedi'i llunio yw oherwydd anghysonder rhwng dwy elfen ohoni. Mae'r naill yn ymwneud â chael grant, ac yr wyf wedi egluro hynny i'r Pwyllgor, ac mae'r llall yn ymwneud â threfniadau treth ar werth. Nid yw'r trefniadau TAW wedi cael eu datrys yn derfynol. Serch hynny, gan na wnaed unrhyw daliadau TAW gan y Cynulliad i awdurdod y porthladd yn ystod 2000-01, yr wyf o'r farn nad oes unrhyw reswm o gwbl pam na ellir llofnodi'r ddogfen gyda'r elfen fechan honno i'w datrys yn y dyfodol. Ar y sail honno yr wyf wedi gofyn i'r Comisiwn Archwilio fwrw ymlaen â'i waith i ddarparu tystysgrif archwilio.

[59] **Dafydd Wigley:** I am sure that that is right, but why on earth has the VAT not been sorted out? I do not want to pursue this at length because it is not directly material in terms of large figures, but, as an issue, surely this must be straightforward.

[59] **Dafydd Wigley:** Yr wyf yn siŵr bod hynny'n iawn, ond pam yn y byd nad yw'r TAW wedi cael ei ddatrys? Nid wyf am fynd ar ôl hyn gan nad yw'n uniongyrchol berthnasol o ran ffigurau mawr, ond, fel ystyriaeth, siawns nad rhywbeth syml yw hyn.

**Mr Shortridge:** I can assure you that it is sufficiently complicated for me not to understand it fully.

**Mr Shortridge:** Gallaf eich sicrhau bod y mater yn ddigon cymhleth i mi beidio â'i ddeall yn llawn.

[60] **Dafydd Wigley:** Perhaps you would prefer to give us a note on it, in that case. Sorry, Alison, do you have more questions?

[60] **Dafydd Wigley:** Efallai y byddai'n well gennych roi nodyn i ni arno felly. Mae'n ddrwg gennyf, Alison, a oes gennych fwy o gwestiynau?

[61] **Alison Halford:** I will leave it there, thank you, Chair.

[61] **Alison Halford:** Gadawaf bethau yn y fan hyn, diolch, Gadeirydd.

[62] **Dafydd Wigley:** Janet, do you want to come in on this?

[62] **Dafydd Wigley:** Janet, a hoffech ddweud rhywbeth ar hyn?

[63] **Janet Davies:** Could we look at paragraphs 2.14 to 2.16, concerning evaluation? I do not think that I have any particular Exocets until—well, not for most of this anyway. The report says that Cardiff Bay Development Corporation established a set of regeneration targets to measure its performance. Why were the successor bodies not given an obligation to collect data to measure this performance?

[63] **Janet Davies:** A gawn ni edrych ar baragraffau 2.14 i 2.16, sy'n ymwneud â gwerthuso? Ni chredaf fod gennyf unrhyw Exocets neilltuol tan—wel, nid ar gyfer y rhan fwyaf o hwn beth bynnag. Dywed yr adroddiad fod Corfforaeth Datblygu Bae Caerdydd wedi pennu cyfres o dargedau adfywio i fesur ei berfformiad. Pam na osodwyd rhwymedigaeth ar y cyrff olynol i gasglu data i fesur y perfformiad hwn?

**Mr Shortridge:** I think the view that we took at the time was that it is one thing, when you have a single development corporation with responsibility for everything, to be given responsibility for individual outputs. When you have divided the responsibilities of that development corporation in four different ways, it is less easy to make the individual component parts accountable for certain outputs. It can be done for some of the key outputs, but not necessarily for all the more general ones relating, for example, to employment and so on. Therefore, the view that we took at the time was that, actually, the way to ensure that there was a proper evaluation of value for money was to have a separate evaluation of the whole programme, once the works were sufficiently completed. It is for that reason that I have taken the view that it is really in 2003-04, three years after the handover, that we will be in a position to judge fully the success of the whole project.

[64] **Janet Davies:** Yes, but you will need the data to be able to do that. I presume that you are talking about conducting evaluations from the Assembly's point of view. However, if the successor bodies do not provide the data, how will the Assembly be able to carry out that evaluation?

**Mr Shortridge:** A lot of the data comes through our existing monitoring arrangements anyway. So while it is the case that we did not make it conditional on certain sets of data being made available, we do have information on outputs and, in the case of the Welsh Development Agency, which is taking on the main development programme, we certainly receive from it annual data on what it has achieved since the wind-up.

[65] **Janet Davies:** How does the Assembly Government think that it can demonstrate value for money to justify and clarify the reasons for the investment it is putting in?

**Mr Shortridge:** In a sense, the Assembly Government is in no different a position from the Assembly as a whole. This is actually part of the Assembly's inheritance. What we are doing here is bringing this major, massive investment to a timely, but orderly, conclusion over the three years from wind-up. In terms of judging value for money, I do not think that it will be that difficult to define

**Mr Shortridge:** Credaf mai'r safbwynt a gymerwyd gennym ar y pryd oedd mai un peth, pan fo gennyh un gorfforaeth ddatblygu gyda chyfrifoldeb am bopeth, yw cael cyfrifoldeb am allbynnau unigol. Pan ydych wedi rhannu cyfrifoldebau'r gorfforaeth ddatblygu honno bedair gwahanol ffordd, nid gwaith mor hawdd yw sicrhau bod y cydrannau unigol yn atebol am allbynnau neilltuol. Gellir ei wneud ar gyfer rhai o'r prif allbynnau, ond nid o anghenraid ar gyfer y rhai mwy cyffredinol sy'n gysylltiedig, er enghraifft, â chyflogaeth ac yn y blaen. Felly, ar y pryd, penderfynasom mai'r ffordd o sicrhau bod gwerth am arian yn cael ei werthuso'n iawn oedd cynnal gwerthusiad ar wahân ar gyfer y rhaglen gyfan, unwaith yr oedd y gwaith wedi'i gwblhau'n ddiagonol. Dyna pam y bernais mai yn 2003-04, i ddweud y gwir, dair blynedd ar ôl y trosglwyddo, y byddwn mewn sefyllfa i farnu llwyddiant y prosiect cyfan yn llawn.

[64] **Janet Davies:** Ie, ond bydd angen y data arnoch i wneud hynny. Yr wyf yn tybio eich bod yn siarad am gynnal gwerthusiadau o safbwynt y Cynulliad. Fodd bynnag, os na fydd y cyrff olynol yn darparu'r data, sut bydd y Cynulliad yn gallu cynnal y gwerthusiad hwnnw?

**Mr Shortridge:** Daw llawer o'r data drwy ein trefniadau monitro presennol beth bynnag. Felly er na roesom amod i ddarparu cyfresi data neilltuol, mae gennym wybodaeth am allbynnau ac, yn achos Awdurdod Datblygu Cymru, sy'n gyfrifol am y brif raglen ddatblygu, yr ydym yn sicr yn derbyn data blynyddol ganddo ar yr hyn y mae wedi'i gyflawni ers y dirwyn i ben.

[65] **Janet Davies:** Sut y mae Llywodraeth y Cynulliad yn credu y gall arddangos gwerth am arian er mwyn cyfiawnhau ac esbonio'r rhesymau dros y buddsoddiad y mae'n ei ddarparu?

**Mr Shortridge:** Mewn ffordd, nid yw Llywodraeth y Cynulliad mewn sefyllfa wahanol i'r Cynulliad ei hun. Mae hyn yn rhan o etifeddiaeth y Cynulliad. Yr hyn yr ydym yn ei wneud yw dod â'r buddsoddiad anferth a phwysig hwn i derfyn amserol, ond trefnus, dros y tair blynedd ers y dirwyn i ben. O ran barnu gwerth am arian, ni chredaf y bydd yn rhy anodd diffinio cylch gwaith y

the remit of the people we will employ to undertake it, not least because when the development corporation was established it was given very clear output measures as to what it should achieve. Therefore, they will be the key elements in any overall value for money study.

[66] **Dafydd Wigley:** Val, did you want to come in on this specific point, before Janet continues?

[67] **Val Lloyd:** I wanted to come in on Janet's first point about successor bodies being tasked with collecting data. This may be over-simplistic, but it would seem to me that, initially, we had a large body to carry out a particular function, and then there were four successor bodies. From my reading of it—this is the first time I have read about it; I have not been party to the previous reports—there were four very distinct areas. I would have thought that it would have been easier to task it for smaller organisations because they were related to distinct areas, rather than the more amorphous one you had at the beginning, and that at least not to do it would be an oversight.

**Mr Shortridge:** I think that that is a fair point, and perhaps I oversimplified slightly in my earlier reply. On the key measures relating to development, the ones relating to employment and so on, we do have these annual records from the WDA which do strike at the heart of the overall objectives of the Cardiff bay development. There are other things as well, because the WDA does, through the Bute Avenue private finance initiative, have a responsibility for delivering on housing. Equally, the council also has a responsibility to deliver on some of the housing in the area. So we can get a certain amount automatically from the disaggregation of data that we receive as part of the monitoring process. What we cannot really do, I think, is hold an individual successor body to account for the overall delivery of the vision in the same way that we could for the development corporation itself.

[68] **Val Lloyd:** I would accept that differential and the different aspects.

bobl y byddwn yn eu cyflogi i'w wneud, yn anad dim oherwydd pan sefydlwyd y gorfforaeth ddatblygu cafodd fesurau allbwn clir iawn ynghylch beth y dylai'i gyflawni. Felly, y rhain fydd yr elfennau allweddol mewn unrhyw astudiaeth gyffredinol o werth am arian.

[66] **Dafydd Wigley:** Val, a oeddech am ddweud rhywbeth ar y pwynt penodol hwn, cyn i Janet barhau?

[67] **Val Lloyd:** Yr oeddwn eisiau dweud rhywbeth ar bwynt cyntaf Janet ynghylch y cyrff olynol yn cael y dasg o gasglu data. Efallai fy mod yn symleiddio gormod, ond i mi, mae'n ymddangos bod gennym, ar y cychwyn, gorff mawr i ymgymryd ag un swyddogaeth neilltuol, ac wedyn yr oedd gennym bedwar corff olynol. O'r hyn a ddeallaf—dyma'r tro cyntaf i mi ddarllen amdano; nid wyf wedi gweld yr adroddiadau blaenorol—yr oedd pedwar maes gwahanol iawn. Yn fy marn i byddai'r dasg wedi bod yn llawer haws i sefydliadau llai oherwydd yr oeddynt yn gysylltiedig â meysydd neilltuol, yn hytrach na'r un maes mwy amorffaidd a oedd gennych ar y cychwyn, ac amryfusedd, o leiaf, fyddai peidio â'i wneud.

**Mr Shortridge:** Credaf fod hynny'n bwynt teg. Bu i mi orsymleiddio ychydig yn fy ateb yn gynharach. Ynghylch y mesurau allweddol yn ymwneud â datblygu, y rhai sy'n ymwneud â chyflogaeth ac yn y blaen, mae'r cofnodion blynyddol hyn gennym gan Awdurdod Datblygu Cymru sy'n taro at wraidd amcanion cyffredinol datblygiad bae Caerdydd. Mae pethau eraill hefyd, oherwydd mae gan y WDA, drwy fenter cyllid preifat Rhodfa Bute, gyfrifoldeb am adeiladu tai. Yn yr un modd, mae gan y cyngor gyfrifoldeb am adeiladu rhywfaint o dai yn yr ardal. Felly gallwn dderbyn rhywfaint yn awtomatig o ddatgrynhoi'r data a dderbyniwn fel rhan o'r broses fonitro. Yr hyn na allwn ei wneud, mi dybiaf, yw dal corff olynol unigol yn atebol am gyflwyno'r weledigaeth yn gyffredinol yn yr un ffordd ag y gallwn ar gyfer y gorfforaeth ddatblygu ei hun.

[68] **Val Lloyd:** Byddwn yn derbyn y gwahaniaeth hwnnw a'r gwahanol agweddau.

[69] **Dafydd Wigley:** Thank you, Val. Janet, I am sorry I interrupted you.

[69] **Dafydd Wigley:** Diolch yn fawr, Val. Janet, mae'n ddrwg gennyf fy mod wedi torri ar eich traws.

[70] **Janet Davies:** Could we have a look at figure 2.3, which is on the previous page of the report? There are quite a lot of different aspects of the Assembly Government's role in this figure. Some of the tasks are linked to the financing of the successor organisations, but others are more qualitative, such as ensuring that the conditions of the, dare I say, notorious section 165 agreements are fulfilled. What is the background of staff undertaking this work, and what training have they received? Do they have the right experience to equip them to monitor it successfully?

[70] **Janet Davies:** A gawn ni olwg ar ffigur 2.3, sydd ar y dudalen flaenorol yn yr adroddiad? Mae'r ffigur hwn yn cynnwys nifer o wahanol agweddau ar rôl Llywodraeth y Cynulliad. Mae rhai o'r tasgau'n gysylltiedig â chyllido'r sefydliadau olynol, ond mae eraill yn fwy ansoddol, megis sicrhau bod amodau cytundebau bondigrybwyll adran 165, os beiddiaf sôn amdanynt, yn cael eu cyflawni. Beth yw cefndir y staff sy'n ymgymryd â'r gwaith hwn a pha hyfforddiant y maent wedi'i dderbyn? A ydynt yn meddu ar y profiad iawn i allu monitro'r gwaith yn llwyddiannus?

**Mr Shortridge:** That is a question that I asked in preparing myself for this hearing. Basically, the answer is this: in one respect, the work that is involved in monitoring the implementation of these section 165 agreements is unique; it is specific to this part of the office. So this is not an area where you have routine generic training. The way in which Keith Parsons, as head of the branch concerned, satisfies himself—and therefore me—that the staff have the necessary training is through having desk instructions in place and then ensuring that, as people come into the job, they are actually taught on the job how to do the work and taken through it and have a sufficient understanding of how they are to fulfil what are really very complex responsibilities. The other thing that is essential is that people doing this work have sufficient familiarity with public finance issues. That is the generic issue.

**Mr Shortridge:** Dyna gwestiwn y gofynnais wrth ymbaratoi ar gyfer y gwrandawriad hwn. Yn y bôn, yr ateb yw hyn: mewn un ffordd mae'r gwaith sy'n gysylltiedig â monitro gweithrediad y cytundebau adran 165 hyn yn unigryw; mae'n benodol i'r rhan hon o'r swyddogaeth. Felly nid yw hwn yn faes lle derbynnir hyfforddiant generig rheolaidd. Y ffordd y mae Keith Parsons, fel pennaeth y gangen berthnasol, yn bodloni'i hun—a felly minnau—yw fod y staff yn cael yr hyfforddiant angenrheidiol yw drwy sicrhau bod cyfarwyddiadau ar gael ac wedyn sicrhau bod pobl, wrth iddynt ddod i mewn i'r swydd, yn cael eu hyfforddi yn y gwaith, ac yn cael eu tywys drwyddo a bod ganddynt ddealltwriaeth ddigonol o sut y maent i gyflawni'r cyfrifoldebau cymhleth iawn hyn. Y peth arall sy'n hanfodol yw fod y bobl sy'n ymgymryd â'r gwaith hwn yn ddigon cyfarwydd â materion cyllid cyhoeddus. Dyna'r mater generig.

**Mr Roberts:** I can perhaps also add that, obviously, we do work very closely with our legal colleagues, accountancy colleagues and estates office as and when we need the expertise ourselves, so it is very much a team effort. If there are any questions or doubts about anything we will consult relevant experts elsewhere in the Assembly Government.

**Mr Roberts:** Efallai y gallaf ychwanegu hefyd ein bod yn gweithio'n agos gyda'n cydweithwyr cyfreithiol, cydweithwyr cyfrifyddol a'r swyddfa ystadau pan fydd angen yr arbenigedd hwnnw arnom ni ein hunain, ac felly ymdrech tîm yn sicr ydyw. Os oes unrhyw gwestiynau neu amheuon ynghylch unrhyw beth, byddwn yn ymgynghori ag arbenigwyr perthnasol eraill yn Llywodraeth y Cynulliad.

[71] **Janet Davies:** Is the Assembly Government positioning itself to have a clear view on the funding requirements at the end

[71] **Janet Davies:** A yw Llywodraeth y Cynulliad yn ymbaratoi er mwyn cael darlun clir o'r gofynion cyllido ar ddiwedd y cyfnod

of this first five-year period?

**Mr Shortridge:** I am not sure whether I fully understood that question, but let me give you this reply and then you can tell me if I have missed it. We have the funding profile which goes forward for the first five years and, when you get to about year 5, the annual expenditure in that year is pretty much the continuing expenditure that we will have in the fulfilment of our obligations, particularly in the case of the barrage, the bay and the harbour and also for the remainder of the 25 years of the Bute Avenue PFI. Therefore, those are forward commitments that go with the inheritance that the Assembly has received as a result of the establishment of the development corporation in the 1980s.

[72] **Janet Davies:** We hope that by that time we will have enough information to be satisfied that the funding requirements are those that are being asked for. Given that there has been a bit of a problem, do you have a view on the wisdom of continuing the contract at the end of the five years?

**Mr Shortridge:** Well, it is slightly more complex than that, because we have four different successor bodies and therefore four sets of relationships that must be managed over time. In the case of Cardiff, where most of the discussions have been focused, what we do know is that both our estimates and Cardiff's estimates remain pretty much as they were at the outset in global terms and, as this report acknowledges, pretty much within the envelope of funding which was anticipated for the first five years. For the most part, the particular issues and problems that we have had are in relation to the comparatively intense amount of activity that will have to be done over the first three years in winding down the activities of the development corporation. Once you have got through that period, then there is much greater stability as regards what the funding streams are that will be required to maintain the harbour and the barrage, and, indeed, to maintain the Bute Avenue PFI.

[73] **Dafydd Wigley:** Thank you. I would imagine that you will be exploring these questions in much more detail over the coming period, although it may not be a matter for the Audit Committee, but a matter of general policy. I think that you are ready

pum mlynedd cyntaf hwn?

**Mr Shortridge:** Nid wyf yn siŵr a ddeallais y cwestiwn yn iawn, ond gadewch imi eich ateb fel hyn a gallwch ddweud wedyn os nad wyf wedi ateb yn llawn. Mae'r proffil ariannu gennym am y pum mlynedd cyntaf, a phan ddeuir at oddeutu blwyddyn 5, mae'r gwariant blynyddol yn y flwyddyn honno yn ddigon tebyg i'r gwariant parhaus a fydd gennym wrth gyflawni ein cyfrifoldebau, yn arbennig o ran y morglawdd, y bae a'r porthladd, a hefyd gyda'r hyn sy'n weddill o'r 25 mlynedd gyda Menter Cyllid Preifat Rhodfa Bute. Felly, blaen-ymrwymiaidau yw'r rheini yn sgîl yr hyn a etifeddwyd gan y Cynulliad o ganlyniad i sefydlu'r gorfforaeth ddatblygu yn y 1980au.

[72] **Janet Davies:** Gobeithiwn erbyn hynny y bydd gennym ddigon o wybodaeth i fod yn fodlon mai'r gofynion ariannu yw'r rhai y gofynnir amdanynt. O wybod am y broblem, a oes gennych farn ynghylch doethineb parhau â'r cytundeb ar ddiwedd y pum mlynedd?

**Mr Shortridge:** Wel, mae ychydig yn fwy cymhleth na hynny, oherwydd mae gennym bedwar corff olynol gwahanol ac felly mae angen rheoli pedwar set o gysylltiadau dros amser. Yn achos Caerdydd, sef canolbwynt y rhan fwyaf o'r trafodaethau, yr hyn a wyddom yw bod ein hamcangyfrifon ni, ac amcangyfrifon Caerdydd, yn parhau'n ddigon tebyg i'r rhai a gafwyd ar y dechrau mewn termau global, ac, fel y cydnabyddir yn yr adroddiad hwn, o fewn yr amlen ariannu a ragwelwyd ar gyfer y pum mlynedd cyntaf. Gan fwyaf, mae'r materion a'r problemau neilltuol yr ydym wedi'u cael yn gysylltiedig â'r gweithgarwch cymharol ddwys y bydd yn rhaid ei wneud yn ystod y tair blynedd cyntaf wrth ddirwyn gweithgareddau'r gorfforaeth ddatblygu i ben. Unwaith i'r cyfnod hwnnw ddod i ben, bydd llawer mwy o sefydlogrwydd o ran beth yw'r ffynonellau ariannu y bydd yn rhaid eu cael er mwyn cynnal y porthladd a'r morglawdd, ac yn wir, i gynnal Menter Cyllid Preifat Rhodfa Bute.

[73] **Dafydd Wigley:** Diolch. Tybiaf y byddwch yn ystyried y cwestiynau hyn yn llawer mwy manwl yn y man, ond efallai nad mater i'r Pwyllgor Archwilio fydd hynny, ond mater o bolisi cyffredinol. Credaf eich bod, fel fi, yn barod am gwpanaid o de, ac

for a cup of tea now, as I am, so we will have a break now. felly cymerwn egwyl yn awr.

*Cafwyd egwyl rhwng 3.18 p.m. a 3.30 p.m.*

*A break was held between 3.18 p.m. and 3.30 p.m.*

[74] **Dafydd Wigley:** Trown yn awr at adran arall o'r ymchwiliad, sef y gost i'r Cynulliad a pherfformiad ariannol y cyrff olynol. Yn gyntaf, holaf ynglŷn â'r trefniadau ariannu cyffredinol. Pa gamau yr ydych wedi eu cymryd i sicrhau bod y Cynulliad yn gweithredu cyfundrefn o reolaeth ariannol ddigonol dros ariannu'r cyrff olynol?

**Mr Shortridge:** I think that the answer to that, in some respects, covers ground that I went over in the first half of this evidence-taking session. Essentially, our approach is a conventional one of sponsorship. Two of the successor bodies are Assembly sponsored public bodies anyway, and we have tried and tested arrangements in place for dealing with them. Therefore, in the case of the WDA, we have monthly returns from its land division, and we are also in contact with its south-east regional office, which is dealing with Bute Avenue. So we get our information from it as part of our wider sponsorship, and any questions and issues that we have are dealt with by our sponsor division. The same applies in the case of the Gwent Levels Wetlands Reserve, which is being operated on our behalf by the Countryside Council for Wales. That is really quite a small part of our wider sponsorship task in respect of the countryside council. In the case of the two local authorities, the arrangements are, as I described earlier this afternoon, through our relationship with them, which is based on, and determined by, the two section 165 agreements with Cardiff County Council and the one section 165 agreement with the Vale of Glamorgan council.

[75] **Dafydd Wigley:** I appreciate the mechanics of it. Could you say something on the question of risk management in this context?

**Mr Shortridge:** These are not on my overarching risk register for the Assembly at the moment. That reflects the fact that I do not see the management of these agreements as a major risk for the Assembly as compared

[74] **Dafydd Wigley:** We now turn to another section of the investigation, which is the cost to the Assembly and the financial performance of the successor bodies. First, I ask about the overall funding arrangements. What steps have you taken to ensure that the Assembly is exercising a system of adequate financial control over the funding of the successor bodies?

**Mr Shortridge:** I ryw raddau, credaf fod yr ateb i hynny wedi cael ei drafod gennyf yn rhan gyntaf y sesiwn derbyn tystiolaeth hon. Yn ei hanfod, mae ein hymagwedd yn un o drefn nawdd gonfensiynol. Mae dau o'r cyrff olynol yn gyrrff cyhoeddus a noddir gan y Cynulliad beth bynnag, ac mae gennym drefniadau cadarn ar waith ar gyfer delio â hwy. Felly, yn achos Awdurdod Datblygu Cymru derbyniwn wybodaeth fisol oddi wrth ei adran tir, ac yr ydym hefyd mewn cysylltiad â'i swyddfa ranbarthol yn y de ddwyrain sy'n delio gyda Rhodfa Bute. Felly yr ydym yn derbyn gwybodaeth ganddo fel rhan o'n cyfundrefn nawdd ehangach, ac ymdrinnir ag unrhyw gwestiynau neu faterion sydd gennym gan ein his-adran nawdd. Mae'r un peth yn wir yn achos Gwarchodfa Gwlyptir Gwastadeddau Gwent, sy'n cael ei rhedeg ar ein rhan gan Gyngor Cefn Gwlad Cymru. Mae hyn yn rhan eithaf bychan o'n swyddogaeth nawdd ehangach gyda'r cyngor cefn gwlad. Yn achos y ddau awdurdod lleol, mae'r trefniadau, fel y disgrifiais yn gynharach yn y prynhawn, drwy ein perthynas gyda hwy, sy'n seiliedig ar y ddau gytundeb adran 165 gyda Chyngor Sir Caerdydd, a'r un cytundeb adran 165 gyda chyngor Bro Morgannwg, ac yn cael eu pennu ganddynt.

[75] **Dafydd Wigley:** Yr wyf yn gwerthfawrogi'r agweddau technegol. A allwch ddweud rhywbeth ar y mater o reoli risg yn y cyd-destun hwn?

**Mr Shortridge:** Nid yw'r rhain ar fy nghofrestr risg trosfwaol ar gyfer y Cynulliad ar hyn o bryd. Mae hynny'n adlewyrchu'r ffaith nad wyf yn gweld y gwaith o reoli'r cytundebau hyn yn risg fawr i'r Cynulliad o'i

with some of the other major risks that we have. That reflects the fact that, with certain exceptions which we were discussing earlier, these arrangements are finished business, and we are managing the risk through the monitoring of expenditure and the systems that we have in place to monitor that expenditure.

[76] **Dafydd Wigley:** May I ask a specific question, in that case? How confident are you that there is a sound grip on future costs, which, quite clearly, is implicit in what I was referring to a moment ago? When you consider the total five-year cost of £102 million, do you consider that to be a reliable estimate—an estimate for which you are content to be accountable?

**Mr Shortridge:** I cannot guarantee that it will be £102 million. The main risks are around the arrangements in the section 165 agreement for the Assembly to meet any residual unforeseen costs. We have already had to meet some unforeseen costs—from memory, they were something under £2 million. I hope that we will be able to manage any such unforeseen costs within the overall budget, because these budget lines are estimates, and not all those estimates are proving to be accurate. Some are proving to be more than we need. So, there are savings that come through the process.

[77] **Dafydd Wigley:** But in assessing, estimating and projecting forward, obviously up-to-date information is critical, is it not?

**Mr Shortridge:** Yes.

[78] **Dafydd Wigley:** When you have difficulty getting up-to-date information, as we have had in the instances that you have described, does that not cause some difficulty with regard to future forecasts?

**Mr Shortridge:** From where I am sitting, for the most part it does not, because as officials we have monthly returns that are signed off, as I said, by three senior officials at Cardiff County Council. So, we know month by month what is happening in terms of actual expenditure being incurred. Obviously, when the council feels that it is having to meet certain unforeseen expenditure, it is not slow

chymharu â rhai o'r risgiau mawr eraill sydd gennym. Mae hynny'n adlewyrchu'r ffaith, gyda rhai eithriadau y buom yn eu trafod yn gynharach, bod y trefniadau hyn yn fusnes gorffenedig ac yr ydym yn rheoli'r risg drwy fonitro gwariant a'r systemau sydd gennym yn barod ar gyfer monitro'r gwariant hwnnw.

[76] **Dafydd Wigley:** A allaf ofyn cwestiwn penodol, felly? Pa mor hyderus ydych chi fod gennym afael cadarn ar gostau yn y dyfodol, sydd, mae'n hollol amlwg, yn rhan o'r hyn yr oeddwn yn cyfeirio ato funud yn ôl. Pan ystyriwch gyfanswm y gost o £102 miliwn am bum mlynedd, a ydych o'r farn fod hynny'n amcangyfrif realistig—amcangyfrif yr ydych chi'n fodlon bod yn atebol drosto?

**Mr Shortridge:** Ni allaf warantu y bydd yn £102 miliwn. Mae'r prif risgiau yn ymwneud â'r trefniadau yng nghytundeb adran 165 i'r Cynulliad dalu unrhyw gostau gweddilliol na ellir eu rhagweld. Yr ydym yn barod wedi gorfod talu rhai costau na fu modd eu rhagweld—llai na £2 filiwn hyd y gallaf gofio. Gobeithiaf y gallwn reoli costau o'r fath na ellir eu rhagweld o dan y gyllideb gyffredinol, oherwydd amcangyfrifon yw'r llinellau cyllid hyn, ac nid yw pob un o'r amcangyfrifon hynny wedi bod yn gywir. Mae rhai wedi bod yn fwy na sydd eu hangen arnom. Felly, mae arbedion i'w cael drwy'r broses.

[77] **Dafydd Wigley:** Ond wrth asesu, amcangyfrif a rhagamcanu, mae'n hanfodol cael y wybodaeth ddiweddaraf, onid ydyw?

**Mr Shortridge:** Ydyw.

[78] **Dafydd Wigley:** Pan y cewch anhawster wrth dderbyn y wybodaeth ddiweddaraf, fel sydd wedi digwydd yn yr enghreifftiau yr ydych wedi'u disgrifio, onid yw hynny yn peri rhywfaint o anhawster o ran rhagolygon ar gyfer y dyfodol?

**Mr Shortridge:** O'm rhan i, nid yw hynny'n wir gan amlaf, oherwydd fel swyddogion, yr ydym yn derbyn ffurflenni a gwybodaeth fisol sydd, fel y dywedais, yn cael eu llofnodi gan dri o uwch-swyddogion Cyngor Sir Caerdydd. Felly yr ydym yn gwybod fis wrth fis beth sy'n digwydd o ran y gwariant gwirioneddol. Yn naturiol, pan fo'r cyngor yn teimlo ei fod yn gorfod talu costau neilltuol nad oedd modd eu rhagweld, daw atom yn

in coming to us.

[79] **Dafydd Wigley:** I suppose not.

**Mr Shortridge:** So, I would say that we have an accurate picture of the evolving situation on a monthly basis. That is not to say that there may not be some unanticipated problems down the track. However, what I would say to that is that I think that it is very unlikely that those problems would be risks that I could manage, because this is all down to what the Assembly has inherited. Obviously, what we could not do is transfer to a local authority totally unquantified liabilities. No local authority could be expected to deal with that. So, there are certain risks that were always going to have to remain with the Assembly. We can transfer them to the Welsh Development Agency but, ultimately, any risks transferred to the WDA are also ours. So, all I can tell you is that our experience over the first two years has indicated that we are pretty much on course to manage within budget, but no-one can foresee the future.

**Mr Roberts:** As part of our normal monitoring arrangements, we have been reviewing the profile because, as the report says, it emanates from 2000, when CBDC estimated the profile. As part of our arrangements, we have been reviewing the profile and we will be concluding that, particularly on the harbour authority side. We remain confident, with the proviso that the Permanent Secretary has given, that we are working towards an overall figure that is similar to the one that CBDC anticipated.

[80] **Dafydd Wigley:** Good.

[81] **Alun Cairns:** Some of the points that I wanted to make have already been covered in your answers. Obviously, the unforeseen and unquantifiable costs are in addition to the £102 million. You said that there have been some unforeseen costs. Could you highlight what those have been so far?

**Mr Shortridge:** If you bear with me for a moment; I had a piece of paper with them on, but as I cannot find it, I will ask Emyr to answer that question.

ddigon sydyn.

[79] **Dafydd Wigley:** Daw mae'n siŵr.

**Mr Shortridge:** Felly, dywedwn fod gennym ddarlun clir o'r sefyllfa sy'n datblygu, a hynny'n fisol. Nid yw hynny o anghenraid yn dweud na fydd rhai problemau nas rhagwelwyd yn codi yn y dyfodol. Fodd bynnag, credwn y byddai'n annhebygol iawn y byddai'r problemau hynny yn risgiau y gallwn eu rheoli, oherwydd mae hyn oll yn deillio o'r hyn a etifeddwyd gan y Cynulliad. Wrth gwrs, yr hyn na allem ei wneud fyddai trosglwyddo rhwymedigaethau hollol anfesuredig i awdurdod lleol. Ni fyddai disgwyl i unrhyw awdurdod lleol ddelio â hynny. Felly, bydd rhai risgiau yn parhau i fod ym meddiant y Cynulliad. Gallwn eu trosglwyddo i Awdurdod Datblygu Cymru ond, yn y pen draw, mae unrhyw risgiau a drosglwyddir i'r awdurdod yn risgiau i ni hefyd. Felly, yr unig beth y gallaf ei ddweud yw bod ein profiad dros y ddwy flynedd gyntaf wedi dangos ein bod ar y trywydd iawn i ymdopi o fewn y gyllideb ond ni all neb ragweld y dyfodol.

**Mr Roberts:** Fel rhan o'n trefniadau monitro arferol, yr ydym wedi bod yn adolygu'r proffil oherwydd, fel y dywed yr adroddiad, mae'n deillio o 2000, pan amcangyfrifodd CDBC y proffil. Fel rhan o'n trefniadau, yr ydym wedi bod yn adolygu'r proffil a byddwn yn dod ag ef i ben, yn arbennig o ran awdurdod y porthladd. Yr ydym o hyd yn hyderus, gyda'r amod a roddodd yr Ysgrifennydd Parhaol, ein bod yn gweithio tuag at ffigur cyffredinol sy'n debyg i'r un a ragwelwyd gan y gorfforaeth.

[80] **Dafydd Wigley:** Da iawn.

[81] **Alun Cairns:** Mae rhai o'r pwyntiau yr oeddwn am eu gwneud wedi cael sylw'n barod yn eich atebion. Wrth gwrs, mae'r costau na ellir eu rhagweld a'r costau anfesuredig yn ychwanegol at y £102 miliwn. Dywedasoch fod rhai costau wedi codi na ellid bod wedi eu rhagweld. A allwch ddweud beth fu'r rhain hyd yma?

**Mr Shortridge:** Os maddeuwch i mi am eiliad; yr oedd gennyf ddarn o bapur yn nodi'r rhain, ond gan na allaf ddod o hyd iddo, gofynnaf i Emyr ateb y cwestiwn hwnnw.

**Mr Roberts:** Could I have clarification of the question? Are you asking for the total amount or for examples within—

[82] **Alun Cairns:** I think that Mr Shortridge highlighted that it was some £2 million. That was the figure that was quoted in general terms. Can you give me an example of what came under that £2 million?

**Mr Roberts:** For example, there was an outstanding liability on the insurance of the barrage itself. That liability had to be met; it was unforeseen—

[83] **Alun Cairns:** What was the extent of that liability?

**Mr Roberts:** That individual one was £600,000.

[84] **Alun Cairns:** Why was that not foreseen?

**Mr Roberts:** Perhaps ‘unforeseen’ is the wrong term to use in this context. It was an additional claim that fell onto the Assembly because it was part of the contract for the barrage, and therefore not part of the moneys passed over to the harbour authority.

[85] **Alun Cairns:** And the other examples?

**Mr Roberts:** There are a number of them; perhaps we could give you a note on them separately. There were some costs relating to water quality, the groundwater survey and a recent one on fish pass counters, which was a requirement of the Environment Agency. Other costs included the removal of algae, landscaping and so on. So, there were a variety of claims. Obviously, we look at every claim thoroughly, we often ask for further information, and we check the legal position on our liability. If a claim passes all those tests, then clearly it is a matter for the Assembly Government to meet the cost.

[86] **Alun Cairns:** Is it reasonable to say that some of these costs should have been foreseen?

**Mr Roberts:** I do not believe so. Just to clarify the point, there are two categories.

**Mr Roberts:** A allwch fanylu ar y cwestiwn? A ydych yn gofyn am y swm cyfan neu am enghreifftiau o fewn—

[82] **Alun Cairns:** Credaf i Mr Shortridge nodi swm o ryw £2 miliwn. Dyna'r ffigur cyffredinol a roddwyd. A allwch chi roi enghraifft o beth oedd yn gynwysiedig yn y £2 miliwn?

**Mr Roberts:** Er enghraifft, yr oedd rhwymedigaeth heb ei thalu ar yswiriant y morglawdd ei hun. Rhaid oedd talu'r rhwymedigaeth honno, nid oedd wedi'i rhagweld—

[83] **Alun Cairns:** Faint oedd y rhwymedigaeth honno?

**Mr Roberts:** Cost yr un rhwymedigaeth hon oedd £600,000.

[84] **Alun Cairns:** Pam na chafodd ei rhagweld?

**Mr Roberts:** Efallai nad ‘anrhagweledig’ yw'r term cywir i'w ddefnyddio yn y cyswllt hwn. Yr oedd yn hawliad ychwanegol a ddisgynnodd ar ysgwyddau'r Cynulliad gan ei fod yn rhan o'r contract ar gyfer y morglawdd, ac felly nad oedd yn rhan o'r arian a drosglwyddwyd i awdurdod y porthladd.

[85] **Alun Cairns:** A'r enghreifftiau eraill?

**Mr Roberts:** Mae nifer ohonynt; efallai y gallem roi nodyn arnynt i chi ar wahân. Yr oedd rhai costau yn gysylltiedig ag ansawdd dŵr, yr arolwg dŵr daear, ac un diweddar gyda'r offer cyfrif pysgod a oedd yn un o ofynion Asiantaeth yr Amgylchedd. Yr oedd costau eraill yn gysylltiedig â chael gwared ar algae, tirlunio ac ati. Felly, cafwyd amrywiaeth o hawliadau. Wrth gwrs, yr ydym yn ystyried pob hawliad yn drwyadl, gofynnwn yn aml am wybodaeth ychwanegol, ac yr ydym yn gwirio sefyllfa gyfreithiol ein rhwymedigaeth. Os yw hawliad yn pasio'r holl brofion hyn, yna, yn sicr, Llywodraeth y Cynulliad fydd yn gorfod talu'r gost.

[86] **Alun Cairns:** A yw'n rhesymol dweud y dylid bod wedi rhagweld rhai o'r costau hyn?

**Mr Roberts:** Ni chredaf hynny. I esbonio'r pwynt ymhellach, mae dau gategori. Pan

When we refer to additional claims, some of them are genuinely unforeseen, for example, requirements by the Environment Agency. We did not know the precise requirements in advance. Other claims are a residue from some of the costs associated with the barrage, for instance. Those also have to be met.

[87] **Alun Cairns:** Is not something like insurance for the barrage pretty practical?

**Mr Roberts:** Yes, but it does not come through until some time after all the other payments have been settled.

[88] **Alun Cairns:** Okay, I will not pursue that matter any further. Thank you for those answers. The final sentence in paragraph 2.9 states:

‘this figure might be reduced by up to £2 million through the savings achieved by Cardiff Council on the installation of the aeration systems in Cardiff Bay.’

However, paragraph 3.2 also highlights that there are problems with the aeration system. So, how does that add up?

**Mr Shortridge:** Paragraph 2.9 mentions savings of up to £2 million. That is an acknowledgement that there is some unfinished business, and so there may be some additional costs in relation to the aeration. My understanding is—but colleagues will correct me if I am wrong—that we are not talking about their being substantially reduced from the ‘up to £2 million’.

[89] **Alun Cairns:** Can you clarify my understanding then? Are the £2 million savings based on a cheaper aeration system being installed?

**Mr Shortridge:** Yes.

[90] **Alun Cairns:** But later in the report, do we not discover that there are problems with the aeration system that has been adopted? Therefore, is it not premature to make that assumption?

**Mr Roberts:** Perhaps I could pick up on that comment. Clearly, the aeration system is a new one in the case of Cardiff bay. As part of its ongoing monitoring activities, the

gyfeiriwn at hawliadau ychwanegol, mae rhai yn sicr yn hawliadau na ellir eu rhagweld, er enghraifft, gofynion a bennir gan Asiantaeth yr Amgylchedd. Nid oeddem yn gwybod yr union ofynion o flaen llaw. Mae'r hawliadau eraill yn deillio o rai o'r costau a oedd yn gysylltiedig â'r morglawdd, er enghraifft. Rhaid talu'r rheini hefyd.

[87] **Alun Cairns:** Onid yw rhywbeth fel yswiriant yn eithaf ymarferol ar gyfer y morglawdd?

**Mr Roberts:** Ydyw, ond nid yw'n cyrraedd am gryn amser wedi i'r holl daliadau eraill gael eu setlo.

[88] **Alun Cairns:** Iawn. Nid af ar ôl y mater hwnnw ymhellach. Diolch i chi am yr atebion hynny. Mae'r frawddeg olaf ym mharagraff 2.9 yn nodi:

‘Mae'n bosibl y caiff y ffigur hwn ei leihau o hyd at £2 miliwn drwy'r arbedion a gyflawnwyd gan Gyngor Caerdydd ar osod systemau ocsigeneiddio ym Mae Caerdydd.’

Fodd bynnag, mae paragraff 3.2 hefyd yn dangos bod problemau gyda'r system awyru. Felly, sut mae gwneud synnwyr o hyn?

**Mr Shortridge:** Mae paragraff 2.9 yn crybwyll arbedion o hyd at £2 miliwn. Mae hynny'n cydnabod bod rhywfaint o waith heb ei orffen, ac felly gall fod costau ychwanegol parthed yr awyru. Fy nealltwriaeth I yw—bydd fy nghydweithwyr yn fy nghywiro os wyf yn anghywir—nad ydym yn siarad am ostyngiad sylweddol o'r 'hyd at £2 miliwn'.

[89] **Alun Cairns:** A allwch chi wella fy nealltwriaeth i ynteu? A yw'r arbedion o £2 miliwn yn seiliedig ar osod system awyru ratach?

**Mr Shortridge:** Ydyw.

[90] **Alun Cairns:** Ond yn ddiweddarach yn yr adroddiad, onid ydym yn canfod bod problemau gyda'r system awyru sydd wedi'i mabwysiadu? Felly onid yw hi braidd yn gynnwys gwneud y rhagdybiaeth honno?

**Mr Roberts:** Efallai y gallaf ymateb i'r sylw hwnnw. Yn sicr, mae'r system awyru yn system newydd yn achos bae Caerdydd. Fel rhan o'i weithgareddau monitro parhaus, mae

Environment Agency has to ensure that it is satisfied. I think that it will take some time for it to be totally satisfied in terms of the aeration system. We have no reason to think that there are any significant problems there, but, clearly, the Environment Agency will want to reserve its judgment until that is absolutely clear. However, we have no reason to suspect that there is an issue there.

[91] **Alun Cairns:** What is your best current estimate of the running cost for the ongoing management responsibilities outlined in paragraph 2.10 after the initial five-year period?

[92] **Dafydd Wigley:** Mr Shortridge has touched on this in the answers that he has already given. You projected the same going rate as at the final year. Do you stand by that?

**Mr Shortridge:** Let me give you the headline costs; colleagues may want to comment further. If I take the fifth year, the annual costs in that year come to £15.2 million. Of those, £5.8 million relate to Cardiff, £5.6 million to the WDA and £3 million to the Vale—that is in relation to the walkway, so that cost will not continue at that level. Then there are some residual items. So, the figures that I have in front of me are up to £15 million.

[93] **Alun Cairns:** Thank you. This is my final question. Janet Davies touched on the difficulties that have been experienced with the harbour authority. What are you doing to provide the Assembly with a choice after the initial five-year period, because of the potential risks to the Assembly highlighted in paragraph 3.2? That states that, if we do not come up with an alternative, Cardiff County Council will inherit responsibility in perpetuity.

**Mr Shortridge:** There is provision in all these section 165 agreements for them to be reviewed within the five-year period. It is certainly my present intention that that review should be invoked, and that would be the way in which I would be protecting the interests of the Assembly.

[94] **Alun Cairns:** But what are you doing to provide the Assembly Government with an

Asiantaeth yr Amgylchedd yn gorfod sicrhau ei fod yn fodlon. Credaf y cymer gryn amser iddo fod yn gwbl fodlon gyda'r system awyru. Nid oes gennym reswm i feddwl bod problemau sylweddol yma, ond, yn naturiol, bydd Asiantaeth yr Amgylchedd am ohirio roi'i barn hyd nes y bo hynny'n berffaith glir. Fodd bynnag, nid oes gennym unrhyw reswm dros feddwl y gallai hyn fod yn broblem.

[91] **Alun Cairns:** Beth yw eich amcangyfrif gorau ar hyn o bryd o'r costau rhedeg ar gyfer y cyfrifoldebau rheoli parhaus a amlinellir ym mharagraff 2.10 ar ôl y cyfnod pum mlynedd cychwynnol?

[92] **Dafydd Wigley:** Mae Mr Shortridge wedi crybwyll hyn yn yr atebion a roddodd eisoes. Eich rhagamcan oedd y byddai hwn ar yr un gyfradd â chyfradd y flwyddyn defnydol. A ydych yn credu hynny o hyd?

**Mr Shortridge:** Gadewch i mi amlinellu'r costau i chi; efallai y bydd cydweithwyr am roi sylwadau pellach. Os cymeraf y bumed flwyddyn, daw'r costau blynyddol yn ystod y flwyddyn honno i £15.2 miliwn. O'r costau hynny, mae £5.8 miliwn yn gysylltiedig â Chaerdydd, £5.6 miliwn ag Awdurdod Datblygu Cymru a £3 miliwn â'r Fro—mae hwn mewn perthynas â'r rhodfa, ac felly ni fydd y gost honno yn parhau ar y lefel honno. Wedyn ceir rhai eitemau gweddilliol. Felly, mae'r ffigurau o'm blaen wedi cyrraedd £15 miliwn.

[93] **Alun Cairns:** Diolch. Dyma fy nghwestiwn olaf. Crybwyllodd Janet Davies yr anawsterau a gafwyd gydag awdurdod y porthladd. Beth ydych yn ei wneud er mwyn rhoi dewis i'r Cynulliad ar ddiwedd y cyfnod pum mlynedd cychwynnol, oherwydd y risgiau posibl i'r Cynulliad a amlygwyd ym mharagraff 3.2? Nodir yno y bydd Cyngor Sir Caerdydd, oni chawn delerau amgen, yn etifeddu cyfrifoldeb yn fytholbarhaus.

**Mr Shortridge:** Mae darpariaeth ymhob un o'r cytundebau adran 165 hyn iddynt gael eu hadolygu o fewn y cyfnod pum mlynedd. Yn sicr, fy mwriad ar hyn o bryd yw cynnal yr adolygiad hwnnw, a dyna'r ffordd y byddwn yn diogelu buddiannau'r Cynulliad.

[94] **Alun Cairns:** Ond beth ydych yn ei wneud i gynnig opsiwn i Lywodraeth y

option at that time? Otherwise, will it not be the case that the Assembly is held over a barrel by Cardiff County Council?

**Mr Shortridge:** No, I do not think that that follows at all.

[95] **Dafydd Wigley:** Could I invite you perhaps to contemplate that question, because obviously it is an ongoing policy issue, and it may be one that is worth considering?

**Mr Shortridge:** I will happily submit a note on that, Chair.

[96] **Dafydd Wigley:** Thank you. We will move on to consider each of the different players in this matter, starting with the funding and financial performance of Cardiff County Council. I believe that Alison is leading on this.

[97] **Alison Halford:** Figure 3.1, and certainly part 3, indicates that, in 2000-01, Cardiff County Council overspent by £0.5 million. Could you give us the reason for this?

**Mr Shortridge:** I think that the reason, in a sense, is in the figure itself. You can see the component parts. However, I think that one needs to be clear what overspend means in this context. What the NAO has done in this table, in order to secure consistency with its earlier report, is to take into account not just expenditure incurred, but payments and so on that had been expected to fall in this year but which actually fall in future years, so that there was not an actual overspend in the year. However, if you take expenditure plus commitments on an accrual basis, there was this £0.5 million overspend.

**Mr Roberts:** I think that paragraph 3.6 explains that a large proportion of the overspend in those terms was as a result of the barrage, not so much the ongoing harbour authority activity.

[98] **Alison Halford:** Would you agree then, if there is some concern that the report might not be quite as I understand it, that there was a £3.4 million underspend on the harbour authority's running costs? Do we agree on that?

**Mr Shortridge:** Yes.

Cynulliad bryd hynny? Fel arall oni fydd y Cynulliad ar drugaredd Cyngor Sir Caerdydd?

**Mr Shortridge:** Na fydd, nid yw hynny'n dilyn o gwbl.

[95] **Dafydd Wigley:** A gaf eich gwahodd i ystyried y cwestiwn hwnnw, oherwydd yn sicr mae'n fater polisi parhaus, ac efallai ei fod yn werth ei ystyried?

**Mr Shortridge:** Byddaf yn ddigon bodlon cyflwyno nodyn ar hynny, Gadeirydd.

[96] **Dafydd Wigley:** Diolch yn fawr. Symudwn ymlaen i ystyried pob un o'r partion yn y mater hwn, gan gychwyn gydag ariannu a pherfformiad ariannol Cyngor Sir Caerdydd. Credaf mai Alison sy'n arwain gyda'r mater hwn.

[97] **Alison Halford:** Mae ffigur 3.1, ac yn sicr rhan 3, yn nodi bod Cyngor Sir Caerdydd, yn 2000-01, wedi gorwario £0.5 miliwn. A allwch ddweud pam?

**Mr Shortridge:** Credaf fod y rheswm, mewn gwirionedd, yn y ffigur ei hun. Gallwch weld y cydrannau. Fodd bynnag, credaf fod angen inni fod yn glir ynghylch beth yw ystyr gorwario yn y cyswllt hwn. Er mwyn sicrhau cysondeb gyda'i adroddiad blaenorol, mae'r SAG yn y tabl hwn wedi ystyried nid yn unig y gwariant yr aethpwyd iddo, ond hefyd y costau ac ati y disgwyliwyd iddynt ddigwydd yn ystod y flwyddyn hon, ond a fydd yn digwydd mewn gwirionedd yn y dyfodol, ac felly nid oedd gorwariant gwirioneddol yn y flwyddyn. Fodd bynnag, os edrychir ar wariant ac ymrwymadau ar sail gronnu, cafwyd y gorwariant hwn o £0.5 miliwn.

**Mr Roberts:** Tybiaf fod paragraff 3.6 yn egluro bod cyfran fawr o'r gorwariant o ganlyniad i brosiect y morglawdd, ac nid yn gymaint weithgarwch parhaus awdurdod y porthladd.

[98] **Alison Halford:** A fydech chi'n cytuno felly, os oes pryder nad yw'r adroddiad o bosibl yn union fel yr wyf yn ei ddeall, fod tanwariant o £3.4 miliwn ar gostau rhedeg awdurdod y porthladd? A ydym yn cytuno â hynny?

**Mr Shortridge:** Ydym.

[99] **Alison Halford:** If so, could you explain how the harbour authority managed to achieve this excellent record of an underspend? Was it because of its efficiencies or because of non-delivery of services?

**Mr Shortridge:** I think that this was all to do with the transition and the time taken to set up the harbour authority and have it fully functioning. There was, therefore, a one-off saving at the beginning of that year, which will not recur in future years.

[100] **Alison Halford:** Does the fact that the barrage still has to be maintained, risen, lifted and closed manually cause a concern?

**Mr Shortridge:** No, because the Environment Agency is satisfied with the arrangements that are in place. It is the Environment Agency that is insisting that the barrage is operated manually until it and the harbour authority can be satisfied about the computer controlled arrangement. The manual operation is safe.

[101] **Alison Halford:** Under outstanding and unforeseen liabilities, Alun asked you about the £2 million that had to be spent. You talked about water quality and the removal of algae. I thought that Cardiff County Council won the contract to take over these important matters because it assured everybody that it could do it cheaply. I am just curious to know why it has cost us £2 million. Was the original tender, therefore, a flawed document?

**Mr Shortridge:** As I recall, the removal of algae is not a £2 million cost, but what the council had was a contract that was time limited and which it has retendered or at least renewed.

**Mr Roberts:** I think that, on the algae, the request was for £80,000 to develop a strategy for the disposal of algae scum. It has been confirmed that no work had been done by CBDC and that this was actually outside the Thames Water contract. So, that cost actually did fall on the Assembly in that instance.

[102] **Alison Halford:** Will the fact that the saline sump is not always working fall on the

[99] **Alison Halford:** Os felly, a allwch chi egluro sut y llwyddodd awdurdod y porthladd i gyflawni'r record wych hon o ran tanwariant? Ai oherwydd ei effeithiolrwydd neu oherwydd na chyflwynwyd gwasanaethau ydoedd?

**Mr Shortridge:** Credaf fod hyn oll yn gysylltiedig â'r trawsnewid a'r amser a gymerwyd i sefydlu awdurdod y porthladd ac iddo ddod yn gwbl weithredol. Felly, cafwyd arbediad unigryw ar ddechrau'r flwyddyn honno, na fydd yn digwydd mewn blynyddoedd i ddod.

[100] **Alison Halford:** A yw'r ffaith fod yn rhaid parhau i gynnal y morglawdd, ei godi a'i gau â llaw yn peri pryder?

**Mr Shortridge:** Nac ydy, oherwydd mae Asiantaeth yr Amgylchedd yn fodlon gyda'r trefniadau sy'n bodoli. Asiantaeth yr Amgylchedd sy'n mynnu bod y morglawdd yn cael ei weithio â llaw hyd nes ei fod ef ac awdurdod y porthladd yn fodlon gyda'r offer rheoli cyfrifiadurol. Mae'r trefniadau rheoli â llaw yn ddiogel.

[101] **Alison Halford:** O dan rwymedigaethau sydd heb eu rhagweld na'u talu, holodd Alun ynghylch y £2 miliwn y bu'n rhaid ei wario. Soniasoch am ansawdd y dŵr a chael gwared ar algae. Yr oeddwn yn meddwl bod Cyngor Sir Caerdydd wedi ennill y contract i ymgymryd â'r materion pwysig hyn, gan iddo sicrhau pawb y gallai wneud hynny'n rhad. Yr wyf am wybod pam ei fod wedi costio £2 miliwn i ni. A oedd y tendr gwreiddiol, felly, yn ddogfen ddiffygiol?

**Mr Shortridge:** Fel y cofiaf, nid cost o £2 miliwn oedd cael gwared ar algae, ond yr oedd gan y cyngor gontract am gyfnod penodol ac sydd erbyn hyn wedi'i aildendro ganddo neu o leiaf wedi'i adnewyddu.

**Mr Roberts:** Credaf, ynghylch yr algae, mai cais am £80,000 a gafwyd i ddatblygu strategaeth ar gyfer cael gwared ar slafan algaidd. Cadarnhawyd na wnaethpwyd gwaith gan GDBC a bod hyn y tu allan i gontract Thames Water. Felly, bu rhaid i'r Cynulliad ysgwyddo'r gost yn y fan honno.

[102] **Alison Halford:** A fydd y ffaith nad yw'r sŷmp heli bob amser yn gweithio yn golygu mai'r Cynulliad fydd yn gorfod talu

Assembly if more work has to be done?

**Mr Roberts:** I will ask Keith to answer that.

**Mr Parsons:** The saline sump is working. It all depends on the time of the year and the frequency of boats coming through the locks and so on. Clearly, the sump was designed based on predictions, but that design had to be tested in actual circumstances. In certain peak periods where there is high tide outside and heavy boat usage, the saline sump does get a little full, so the authority is discussing with the Environment Agency how it can take steps to mitigate that.

[103] **Dafydd Wigley:** Alison, we do really need to move on.

[104] **Alison Halford:** Okay. I will ask one more question. Are you happy that the £220 million cap will be the final cost for the barrage?

**Mr Shortridge:** I cannot give you an absolute assurance on that. What I can say is that the latest figures that I have seen are within £1 million either side of that cap. So, it remains the correct working assumption for what the outcome will be. However, it could be up to five years before we really know what the final costs are associated with what is a major piece of engineering in a very tidal estuary.

[105] **Dafydd Wigley:** Would you like to take that up, Jocelyn?

[106] **Jocelyn Davies:** Yes, please. On a point of clarification, in paragraph 3.24, we are told that the estimated cost went up to £220 million—an increase of £7 million that year—in order to maintain water quality in the bay. Maintaining water quality was mentioned in a question that Mr Cairns asked, and was said to be included in the £2 million. There are a lot of millions floating around, Dafydd, and I am not sure whether they are all part of the same sum or whether they are different pots. So, is the £2 million, which you have mentioned twice now with regard to the water quality, included in the £7 million when the cap went up to £220 million in June 2000?

**Mr Shortridge:** Let me have a go at

os bydd angen gwneud mwy o waith arno?

**Mr Roberts:** Gofynnaf i Keith ateb hynny.

**Mr Parsons:** Mae'r sŷmp heli yn gweithio. Mae'n dibynnu ar yr amser o'r flwyddyn a pha mor aml y daw cychod drwy'r llifddorau ac ati. Dyluniwyd y sŷmp wrth gwrs ar sail rhagfynegiadau, ond yr oedd yn rhaid profi'r dyluniad o dan amgylchiadau go iawn. Yn ystod rhai cyfnodau brig, pan fo'r llanw yn uchel y tu allan a llawer o gychod yn defnyddio'r llifddorau, mae'r sŷmp heli yn gallu llanw. Mae'r awdurdod ac Asiantaeth yr Amgylchedd yn trafod y camau y gall eu cymryd i wella'r sefyllfa.

[103] **Dafydd Wigley:** Alison, mae'n rhaid i ni symud ymlaen.

[104] **Alison Halford:** Iawn. Gofynnaf un cwestiwn arall. A ydych yn hapus mai'r terfyn o £220 miliwn fydd cost derfynol y morglawdd?

**Mr Shortridge:** Ni allaf roi sicrwydd pendant i chi ynghylch hynny. Gallaf ddweud bod y ffigurau diweddaraf imi eu gweld o fewn £1 miliwn i'r terfyn hwnnw, ar y naill ochr a'r llall. Felly, dyna'r rhagdybiaeth weithredol gywir ar gyfer y canlyniad. Fodd bynnag, gallai fod hyd at bum mlynedd cyn y gwyddom yn iawn beth fydd costau terfynol gwaith sy'n gysylltiedig â phrosiect peirianyddol mawr mewn aber sydd ag amrediad llanw mawr.

[105] **Dafydd Wigley:** Jocelyn, hoffech chi ychwanegu rhywbeth at hynny?

[106] **Jocelyn Davies:** Os gwelwch yn dda. Ar bwynt o esboniad, ym mharagraff 3.24, dywedir wrthym bod yr amcangyfrif o'r gost wedi codi i £220 miliwn—cynnydd o £7 miliwn y flwyddyn honno—er mwyn cynnal ansawdd dŵr y bae. Crybwyllwyd ansawdd y dŵr mewn cwestiwn a ofynnwyd gan Mr Cairns, a dywedwyd ei fod yn gynwysedig yn y £2 miliwn. Dafydd, mae sawl miliwn ar hyd y lle, ac nid wyf yn siŵr a ydynt i gyd yn rhan o'r un swm neu a ydynt yn rai gwahanol. Felly, a yw'r £2 filiwn, a grybwyllwyd ddwywaith gennyh erbyn hyn parthed ansawdd y dŵr, yn gynwysedig yn y £7 miliwn pan gododd y terfyn i £220 miliwn ym Mehefin 2000?

**Mr Shortridge:** Gadewch i mi roi cynnig ar

answering that, but Keith may need to amplify what I say. The £7 million is on top of the total approved cost of £213.4 million. There are savings associated with that £7 million because the aeration contract came in, from memory, at around £5.5 million, or a bit less. However, there have been compensating additional costs. So, as I told you, the figures that I have before me are just a narrow range either side of £220 million.

[107] **Jocelyn Davies:** But the £2 million is part of the £7 million; it is not a different amount of money?

**Mr Shortridge:** I will ask Keith to come in.

**Mr Parsons:** An estimate of £7 million was made in the barrage cap calculations for water quality. When the budgets were determined, Cardiff Bay Development Corporation passed on £5.5 million. Cardiff council has secured the contract at the moment for £3.5 million, but it is still early days. So, yes, the £2 million saving is on the £5.5 million budget, so it is well within that estimated £7 million.

[108] **Jocelyn Davies:** I am sure that that clears up the matter for people who like number crunching. I was looking at figure 3.1 and it shows an overspend of £3.7 million in 2001. Are there likely to be any savings, do you think, in coming years, as I understand that the savings will also be picked up by the Assembly, as well as the overspend?

**Mr Shortridge:** Sorry, I was looking for your figures, so I think that I lost the punch line.

[109] **Jocelyn Davies:** I was just wondering whether we are expecting any savings in coming years.

**Mr Shortridge:** Overall, the figures that we are working on are still at around £100 million to £102 million. I think that that is for everything. There will certainly be savings in some areas, but they will be offset by additional costs in others. So, the robust position that we have taken is that there will be no net savings. We are hoping, equally,

ateb y cwestiwn, ond efallai y bydd yn rhaid i Keith ehangu ar yr hyn a ddywedaf. Mae'r £7 miliwn ar ben y cyfanswm cost cymeradwy o £213.4 miliwn. Mae arbedion yn gysylltiedig â'r £7 miliwn hynny gan y cafwyd ffigur o ryw £5.5 miliwn, neu ychydig yn llai, ar gyfer y contract awyru, os cofiaf yn iawn. Fodd bynnag, cafwyd costau ychwanegol ar ben hynny. Felly, fel y dywedais, dim ond amrediad cul o amgylch y £220 miliwn yw'r ffigurau o'm blaen.

[107] **Jocelyn Davies:** Ond mae'r £2 miliwn yn rhan o'r £7 miliwn; nid yw'n swm gwahanol o arian?

**Mr Shortridge:** Gofynnaf i Keith ddweud rhywbeth ar hyn.

**Mr Parsons:** Rhoddwyd amcangyfrif o £7 miliwn ar gyfer gwella ansawdd y dŵr yn y cyfrifiadau ar gyfer y terfyn ariannol am y morglawdd. Pan bennwyd y cyllidebau, nodwyd swm o £5.5 miliwn gan Gorfporaeth Datblygu Bae Caerdydd. Mae cyngor Caerdydd wedi sicrhau'r contract ar hyn o bryd am £3.5 miliwn, ond mae'n dal yn gynnar. Felly, ie, mae'r arbediad o £2 filiwn ar y gyllideb o £5.5 miliwn, ac felly mae'n dal gryn dipyn o dan y £7 miliwn a amcangyfrifwyd.

[108] **Jocelyn Davies:** Yr wyf yn siŵr bod hynny'n esbonio'r mater i'r bobl sy'n mwynhau dadansoddi rhifau. Yr oeddwn yn edrych ar ffigur 3.1 ac mae'n dangos gorwariant o £3.7 miliwn yn 2001. A ydych yn credu bod arbedion yn bosibl yn y dyfodol, gan y deallaf mai'r Cynulliad fydd yn elwa o'r arbedion, yn ogystal â bod yn gyfrifol am y gorwario?

**Mr Shortridge:** Mae'n ddrwg gennyf, yr oeddwn yn chwilio am eich ffigurau, ac felly credaf i mi golli byrdwn y cwestiwn.

[109] **Jocelyn Davies:** Gofyn yr oeddwn a ydym yn disgwyl gwneud arbedion yn y blynyddoedd i ddod.

**Mr Shortridge:** Yn gyffredinol, mae'r ffigurau yr ydym yn gweithio arnynt yn parhau o gwmpas y £100 miliwn i £102 miliwn. Credaf fod hynny'n cwmpasu popeth. Yn sicr gwneir arbedion mewn rhai meysydd ond bydd costau ychwanegol mewn meysydd eraill yn mynd yn eu herbryn. Felly, yr ydym wedi cymryd na fydd arbedion net.

that there will be no net costs, but that takes us back to the earlier discussion we had about the nature of the unforeseen costs and the extent of the still unquantified risks.

[110] **Jocelyn Davies:** I have just one more question. Last summer you told us that the oxygenation system was working really well. You do not foresee that changing this year?

**Mr Shortridge:** No. Again, Emyr is closer to this than I am, but my understanding is that, throughout last summer, as this report indicates, there was only one serious problem relating to the oxygenation and that, as I understand it, was associated with a very unusual storm that affected a foul water sewer. So, in general terms, I think that the systems are working very well, although they are continuing to be monitored closely by the Environment Agency and the council, and I am sure that there will continue to be certain pockets of problems associated with environmental conditions as they arise.

[111] **Alison Halford:** I will make this brief, Chair. Do we agree that a £19.3 million cap, referred to in paragraph 3.21, was the actual money that Cardiff Bay Development Corporation could spend on managing, operating and maintaining the barrage? If so, how are you assuring us that it will not be breached by the harbour authority?

**Mr Shortridge:** I think that I am going to have to ask Keith to come in, because this gets quite complex as to precisely what expenditure we were associating with this, and I do not think that £19.3 million covers all the running costs associated with the barrage. What I would say is that, when we agreed with the council that it would deliver the equivalent of the Thames Water authority contract for £3 million less than that contract, the council took that risk. So if, in the event, it is more than that, then it will have to cover the costs, not the Assembly.

**Mr Parsons:** Do you want me to add to that?

[112] **Alison Halford:** Yes, if you could.

**Mr Parsons:** The section 165 agreement is quite clear that this is a capped figure. It is for a three-year period and we are continuing

Yn yr un modd, gobeithiwn na fydd costau net, ond rhaid cofio am y drafodaeth gynharach ynghylch natur costau na ellir eu rhagweld, a'r risgiau na fesurwyd byth.

[110] **Jocelyn Davies:** Mae gennyf un cwestiwn arall. Haf diwethaf, dywedasochn wrthym fod y system ocsigeneiddio'n gweithio'n dda iawn. Nid ydych yn rhagweld hynny'n newid eleni?

**Mr Shortridge:** Nac ydw. Eto, mae Emyr yn gwybod mwy am hyn, ond fy nealltwriaeth i yw, ac fel y nodir yn yr adroddiad hwn, mai un broblem ddifrifol yn unig a gafwyd gydol yr haf diwethaf gyda'r ocsigeneiddio, ac yr oedd honno'n gysylltiedig â storm anarferol iawn a gafwyd a effeithiodd ar garthffos dŵr budr. Felly, yn gyffredinol, credaf fod y systemau'n gweithio'n dda iawn, er bod Asiantaeth yr Amgylchedd a'r cyngor yn parhau i'w monitro'n agos, ac yr wyf yn siŵr y bydd rhai problemau'n parhau i godi gyda'r amodau amgylcheddol.

[111] **Alison Halford:** Byddaf yn fyr, Gadeirydd. A ydym yn cytuno mai'r terfyn o £19.3 miliwn y cyfeirir ato ym mharagraff 3.21 oedd yr arian gwirioneddol y gallai Corfforaeth Datblygu Bae Caerdydd ei wario ar reoli, gweithredu a chynnal y morglawdd? Os felly, sut y gallwch ein sicrhau na fydd awdurdod y porthladd yn mynd dros y terfyn hwnnw?

**Mr Shortridge:** Credaf y bydd yn rhaid i mi ofyn i Keith ddod i mewn, oherwydd mae hyn yn mynd yn eithaf cymhleth o ran y gwariant yr oeddem yn ei gysylltu â hyn, ac ni chredaf fod y £19.3 miliwn yn talu holl gostau rhedeg y morglawdd. Yr hyn a ddywedaf, pan gytunwyd gyda'r cyngor y byddai'n darparu'r gwaith am £3 miliwn yn llai na'r swm a nodwyd yng nghontract Thames Water, y cyngor oedd yn cymryd y risg. Felly, os bydd y ffigur yn fwy, y cyngor fydd yn gorfod talu'r costau, nid y Cynulliad.

**Mr Parsons:** Hoffech chi imi ychwanegu at hynny?

[112] **Alison Halford:** Hoffwn, pe gallech.

**Mr Parsons:** Mae'r cytundeb adran 165 yn nodi'n glir mai ffigur terfyn yw'r ffigur hwn. Mae'r cytundeb am gyfnod o dair blynedd ac

to monitor with the council what the spend is related to the services and equipment within that. So it is a little early yet, but the assurances that we are getting is that it will abide by that cap.

[113] **Alison Halford:** You have been operating for over two years now. Are you not in a position to indicate whether the cap is going to be split or not?

**Mr Parsons:** The information that we have is that the council is online to meet the cap. It is a legal requirement that it will not exceed that cost.

[114] **Janet Davies:** I have one brief question. The current five-year arrangement means that the Assembly must underwrite any additional costs—provided they can be justified, naturally. After the first five-year period, Mr Shortridge, do you think that the Assembly will ever be in a position to move away from these almost unlimited liabilities?

**Mr Shortridge:** I will certainly want to manage the risks as much as I can and to limit the liabilities as much as I can. When we and the harbour authority have had five years' experience of running the bay, there will be a much better shared understanding of what is involved in the running of it, and therefore a greater degree of confidence on behalf of both parties. However, I think that, if I were in Cardiff County Council, or any other body—the Assembly cannot expect another public body to totally underwrite the costs associated with a massive engineering investment which has been undertaken by Government. Ultimately, I think that the Government will have to carry the unforeseen liabilities associated with it.

[115] **Dafydd Wigley:** We move on to the funding and financial performance of the WDA.

[116] **Alun Cairns:** I will be brief. The net receipts to the WDA were £1.4 million more than was estimated. Does this reflect business efficiency or poor initial estimates? I refer to figure 4.2.

yr ydym yn parhau i fonitro gyda'r cyngor beth yw'r gwariant ar wasanaethau ac offer o fewn hynny. Felly mae braidd yn gynnar eto, ond yr ydym yn derbyn sicrwydd y bydd yn cadw at y ffigur terfyn hwnnw.

[113] **Alison Halford:** Yr ydych wedi bod yn gweithredu ers dros ddwy flynedd erbyn hyn. Onid ydych mewn sefyllfa i nodi a fydd y terfyn yn cael ei dorri ai peidio?

**Mr Parsons:** Yn ôl y wybodaeth sydd gennym, mae'r cyngor ar y trywydd i wneud y gwaith o fewn y terfyn. Mae'n ofyniad cyfreithiol na fydd yn mynd dros y terfyn hwnnw.

[114] **Janet Davies:** Mae gennyf un cwestiwn byr. Yn ôl y trefniant pum mlynedd presennol, rhaid i'r Cynulliad warantu unrhyw gostau ychwanegol—ar yr amod eu bod yn cael eu cyfiawnhau wrth gwrs. Ar ôl y cyfnod pum mlynedd cyntaf, Mr Shortridge, a ydych yn credu y bydd y Cynulliad mewn sefyllfa i gael gwared â'r rhwymedigaethau diderfyn hyn bron?

**Mr Shortridge:** Yn sicr, byddaf am reoli'r risgiau orau gallaf a chyfyngu ar y rhwymedigaethau orau gallaf. Pan fyddwn ni ac awdurdod y porthladd wedi cael profiad o redeg y bae am bum mlynedd, bydd gan bawb gwell dealltwriaeth o'r hyn sydd ynghlwm wrth ei redeg, ac felly, bydd gan y ddau barti fwy o hyder. Fodd bynnag, credaf, pe bawn ar Gyngor Sir Caerdydd, neu unrhyw gorff cyhoeddus arall—ni all y Cynulliad ddisgwyl i gorff cyhoeddus arall warantu'r costau sy'n gysylltiedig â buddsoddiad peirianyddol enfawr yr ymgymeryd ag ef gan y Llywodraeth. Yn y pen draw, credaf y bydd yn rhaid i'r Llywodraeth fod yn gyfrifol am y rhwymedigaethau na ellir eu rhagweld sy'n gysylltiedig ag ef.

[115] **Dafydd Wigley:** Symudwn ymlaen at ariannu a pherfformiad ariannol Awdurdod Datblygu Cymru.

[116] **Alun Cairns:** Byddaf yn gryno. Yr oedd y derbynebau net i Awdurdod Datblygu Cymru £1.4 miliwn yn fwy na'r amcangyfrif. A yw hyn yn adlewyrchu effeithlonrwydd busnes neu amcangyfrifon cychwynnol gwael? Cyfeiriaf at ffigur 4.2.

**Mr Shortridge:** I think that it just reflects market conditions. You cannot necessarily accurately foresee when particular receipts will be received. Emyr may have something more specific on that, but I think that that is just in the nature of managing a revenue flow.

**Mr Shortridge:** Credaf mai adlewyrchu amgylchiadau'r farchnad yn unig y mae. Ni allwch o reidrwydd ragweld yn fanwl gywir pryd y caiff derbynebau unigol eu derbyn. Efallai y bydd gan Emyr rywbeth mwy penodol i'w ddweud, ond credaf mai deillio y mae hyn yn syml o reoli llif refeniw.

**Mr Roberts:** I think that that is right; it is the market conditions at the time of sale of the assets, which were higher than anticipated by CBDC.

**Mr Roberts:** Credaf fod hynny'n gywir; amgylchiadau'r farchnad adeg gwerthu asedau a oedd yn uwch na'r hyn a ragwelwyd gan Gorfforaeth Datblygu Bae Caerdydd.

[117] **Alun Cairns:** Thank you. Some of the biggest cost uncertainties remained around the private finance initiative scheme. What is the Assembly's current estimate of the cost of meeting these conditions?

[117] **Alun Cairns:** Diolch. Yr oedd yr ansicrwydd mwyaf o ran costau yn gysylltiedig â'r cynllun menter cyllid preifat. Beth yw amcangyfrif presennol y Cynulliad o gost cwrdd â'r amodau hyn?

**Mr Shortridge:** I do not think that there is that much uncertainty around the PFI scheme. One of the reasons for entering into the PFI scheme was to have certainty for the public sector on what it would cost to deliver this investment. The main uncertainties could be around whether we will get some overage payments back if the investment proves to be more successful than both parties assumed at the time that the PFI was agreed.

**Mr Shortridge:** Ni chredaf fod cymaint â hynny o ansicrwydd ynghylch y cynllun menter cyllid preifat. Un rheswm dros ddefnyddio'r cynllun menter cyllid preifat oedd er mwyn i'r sector cyhoeddus wybod yn union beth fyddai cost y buddsoddiad hwn. Gallai'r prif feysydd ansicrwydd fod ynghylch a fyddwn yn derbyn rhywfaint o daliadau gorswm yn ôl os bydd y buddsoddiad yn fwy llwyddiannus na'r hyn yr oedd y ddau barti yn ei ddisgwyl ar yr adeg y cytunwyd ar y fenter.

[118] **Alun Cairns:** What about the compulsory purchase scheme? Is that now completed?

[118] **Alun Cairns:** Beth am y cynllun prynu gorfodol? A yw wedi'i gwblhau erbyn hyn?

**Mr Shortridge:** To the best of my knowledge, there are no further outstanding compulsory purchase orders—oh, hang on. There are 11 claims remaining, representing about 5 per cent of all the claims in expenditure terms.

**Mr Shortridge:** Hyd y gwn i, nid oes mwy o orchmynion prynu gorfodol i'w cwblhau—o, un funud. Mae 11 hawliad yn weddill, sy'n cynrychioli 5 y cant o'r holl hawliadau o ran gwariant.

[119] **Alun Cairns:** What is the latest estimate in that regard?

[119] **Alun Cairns:** Beth yw'r amcangyfrif diweddaraf parthed hynny?

**Mr Shortridge:** I do not have a latest estimate. I would have to submit a note on that. I should also tell you that there are other claims around, which may or may not prove to be valid.

**Mr Shortridge:** Nid yw'r amcangyfrif diweddaraf gennyf. Byddai'n rhaid i mi gyflwyno nodyn ar hynny. Dylwn ddweud wrthyech hefyd fod hawliadau eraill ar y gweill, a allai brofi'n ddilys neu'n annilys.

[120] **Alun Cairns:** Okay.

[120] **Alun Cairns:** Iawn.

[121] **Dafydd Wigley:** We move on to the funding and financial performance of the Countryside Council for Wales.

[121] **Dafydd Wigley:** Symudwn ymlaen at ariannu a pherfformiad ariannol Cyngor Cefn Gwlad Cymru.

[122] **Ann Jones:** When the corporation was wound up, it was estimated that the total cost of the Gwent Levels Wetlands Reserve would be around £10.4 million. Paragraph 5.10 states that the amount that the corporation had already paid was £9 million. A revised estimate for its construction stands at £11.3 million. What are the reasons for this?

[122] **Ann Jones:** Pan gafodd y gorfforaeth ei dirwyn i ben, amcangyfrifwyd mai cyfanswm cost Gwarchodfa Gwlyptir Gwastadeddau Gwent fyddai tua £10.4 miliwn. Ym mharagraff 5.10 nodir bod y gorfforaeth wedi talu £9 miliwn yn barod. Amcangyfrif diwygiedig ar gyfer adeiladu'r warchodfa yw £11.3 miliwn. Pam?

**Mr Shortridge:** It arises from ongoing commitments from the section 165 agreement. There were two main aspects to this: some outstanding compulsory purchase order payments under the ongoing land tribunal case—and those have not yet been fully and finally quantified—and the need to provide a third water supply to secure spring and autumn flooding for the levels.

**Mr Shortridge:** Y rheswm yw'r ymrwymadau parhaus yn sgîl y cytundeb adran 165. Mae hyn yn ymwneud â dau beth yn arbennig: rhai taliadau gorchmynion prynu gorfodol sydd heb eu talu o dan yr achos tribiwnlys tir parhaus—ac nid yw'r rhain wedi cael eu meintioli'n llawn nac yn derfynol—a'r angen i ddarparu trydydd cyflenwad dŵr er mwyn sicrhau gorlif adeg y gwanwyn a'r hydref i'r gwastadeddau.

[123] **Ann Jones:** Do you think that the estimate of £11.3 million is likely to be exceeded?

[123] **Ann Jones:** A ydych yn credu y bydd y swm yn mynd yn fwy na'r amcangyfrif o £11.3 miliwn?

**Mr Shortridge:** All that I can tell you is that it remains our best estimate. However, because there are still unresolved claims, you can never be absolutely sure of what the outcome will be.

**Mr Shortridge:** Yr unig beth y gallaf ei ddweud yw mai'r ffigur hwn yw ein hamcangyfrif gorau. Fodd bynnag, gan fod rhai hawliadau heb eu datrys o hyd, ni allwch fyth fod yn sicr o'r canlyniad.

[124] **Dafydd Wigley:** We turn now to the funding and financial performance of the

[124] **Dafydd Wigley:** Trown yn awr at ariannu a pherfformiad ariannol Cyngor

Vale of Glamorgan County Borough Council. Bwrdeistref Sirol Bro Morgannwg.

[125] **Janice Gregory:** Jon, paragraph 6.3 of the report deals with the Penarth link. In your opinion, will the Penarth link project be completed to a good quality within the £7.5 million cap that has been set for it?

[125] **Janice Gregory:** Jon, mae paragraff 6.3 yr adroddiad yn trafod llwybr cyswllt Penarth. Yn eich barn chi, a fydd prosiect llwybr cyswllt Penarth yn cael ei gwblhau i safon dda o fewn y terfyn o £7.5 miliwn a glustnodwyd ar ei gyfer?

**Mr Shortridge:** I know that the Vale would like the project to be completed to a quality that would cost more than that.

**Mr Shortridge:** Gwn y byddai'r Fro yn dymuno gweld y prosiect yn cael ei gwblhau i safon a fyddai'n costio mwy na hynny.

[126] **Janice Gregory:** Oh. Right.

[126] **Janice Gregory:** O, iawn.

Did I hear you right, that the Vale would like it completed—

A glywais yn iawn, y byddai'r Fro yn dymuno ei weld yn cael ei gwblhau—

**Mr Shortridge:** My understanding is that the project that it has in mind would cost more than that.

**Mr Shortridge:** Fy nealltwriaeth i yw y byddai'r prosiect sy'n cael ei ystyried ganddo yn costio mwy na hynny.

[127] **Dafydd Wigley:** What are the implications of that?

[127] **Dafydd Wigley:** Beth yw goblygiadau hynny?

[128] **Janice Gregory:** Yes. I am sorry that I hesitated. You took me by surprise, I have to say. I was lost for words.

[128] **Janice Gregory:** Ie. Ymddiheuriadau am betruso. Rhaid cyfaddef i mi gael fy synnu. Nid oeddwn yn gwybod beth i'w ddweud.

**Mr Shortridge:** The agreement is quite clear that we will make £7.5 million available. That is the extent of our liability.

**Mr Shortridge:** Mae'r cytundeb yn ddigon clir y byddwn yn darparu £7.5 miliwn. Dyna faint ein rhwymedigaeth ni.

[129] **Janice Gregory:** And that is capped?

[129] **Janice Gregory:** Ac a osodwyd terfyn ar hynny?

**Mr Shortridge:** Yes.

**Mr Shortridge:** Do.

[130] **Janice Gregory:** May I ask, under the

[130] **Janice Gregory:** A allaf ofyn, o dan

section 165 agreement, as I think Keith was saying, whether £7.5 million is the cap?

gytundeb adran 165, fel yr oedd Keith yn ei ddweud yr wyf yn meddwl, ai £7.5 miliwn yw'r terfyn?

**Mr Shortridge:** Yes.

**Mr Shortridge:** Ie.

[131] **Janice Gregory:** Right. Okay, thank you.

[131] **Janice Gregory:** Iawn. Diolch yn fawr.

[132] **Dafydd Wigley:** Are there any implications if there is a run-on over the £7.5 million for other projects for successor bodies? I mean the bird reserve and that sort of thing.

[132] **Dafydd Wigley:** A fydd goblygiadau os bydd gwariant ychwanegol ar ben y £7.5 miliwn ar gyfer prosiectau eraill i gyrff olynol? Cyfeiriaf at y warchodfa adar ac ati.

**Mr Shortridge:** Any implications are for the Vale of Glamorgan, essentially. It would not necessarily have a knock-on effect for the funding of anything else within the carry-over arrangements that we have put in place.

**Mr Shortridge:** Yn y bôn, cyfrifoldeb Bro Morgannwg fydd unrhyw oblygiadau. Ni fyddai o anghenraid yn cael sgîl effaith ar ariannu unrhyw beth arall o fewn y trefniadau trosglwyddo yr ydym wedi eu rhoi ar waith.

[133] **Dafydd Wigley:** Good. I turn therefore to matters concerning the successor bodies' progress with their inherited responsibilities. Looking at Cardiff council first, how satisfied are you with the way that Cardiff County Council has managed its new responsibilities in relation to the bay?

[133] **Dafydd Wigley:** Da iawn. Trof felly at faterion sy'n ymwneud â'r cynnydd y mae'r cyrff olynol yn ei wneud gyda'r cyfrifoldebau a etifeddwyd ganddynt. Gan edrych ar gyngor Caerdydd yn gyntaf, pa mor hapus ydych chi â'r ffordd y mae Cyngor Sir Caerdydd wedi rheoli ei gyfrifoldebau o ran y bae?

**Mr Shortridge:** I think that, at officer level, it has done very well indeed. As you will recall, the negotiations leading up to its taking over these responsibilities were completed at quite short notice before the handover of responsibilities. It was taking over a massive project, which still had to be brought to completion. Although there have been problems, these have been essentially problems of detail which, while they could not have been anticipated, could have been expected, if you see the distinction. I think that the harbour authority is operating very well.

**Mr Shortridge:** Credaf, ar lefel swyddogion, ei fod wedi gwneud yn arbennig o dda. Fel y cofiwch, cwblhawyd y negodiadau yn arwain at drosglwyddo'r cyfrifoldebau hyn i'r cyngor ar fyr rybudd braidd cyn y trosglwyddo. Yr oedd yn ysgwyddo prosiect enfawr, nad oedd wedi'i gwblhau eto. Er bod rhai problemau wedi codi, problemau o ran manylion oedd y rhain yn y bôn, ac er na fuasid wedi gallu'u rhagweld, gallesid fod wedi'u disgwyl, os gallwch weld y gwahaniaeth. Yr wyf yn credu bod awdurdod y porthladd yn gweithredu'n dda iawn.

[134] **Dafydd Wigley:** Is the regeneration

[134] **Dafydd Wigley:** A yw swyddogion

programme agreed with Assembly Government officials, given that we are in the third year of its arrangement?

Llywodraeth y Cynulliad wedi cytuno ar y rhaglen adfywio, o wybod ein bod ar drydedd flwyddyn y trefniant yn ei gylch?

**Mr Shortridge:** If that is a reference to—

**Mr Shortridge:** Os cyfeiriad yw hynny at—

[135] **Dafydd Wigley:** Paragraph 3.13.

[135] **Dafydd Wigley:** Paragraff 3.13.

**Mr Shortridge:** Paragraph 3.13. Let me just check. We have, this week, received the regeneration programme that we have been seeking from the harbour authority, and we have not yet had an opportunity to evaluate it fully. However, the fact that we do have that now is very good progress.

**Mr Shortridge:** Paragraff 3.13. Gadewch i mi weld. Yr ydym, yr wythnos hon, wedi derbyn y rhaglen adfywio yr ydym wedi bod yn ei geisio gan awdurdod y porthladd, ac nid ydym wedi cael cyfle i'w werthuso'n llawn eto. Fodd bynnag, mae'r ffaith ein bod wedi'i dderbyn yn gynnydd da iawn.

[136] **Dafydd Wigley:** It has taken some time though, has it not?

[136] **Dafydd Wigley:** Ond mae wedi cymryd cryn dipyn o amser, onid ydyw?

**Mr Shortridge:** Yes, and I regret that. On the other hand, I do not think that anyone should underestimate the scale of the issues—I will not say problems—which the harbour authority has had to deal with in order to complete the freshwater impoundment and to deal with the teething problems of the barrage and the sluice gates. Those have had to be priorities for it, which it has addressed.

**Mr Shortridge:** Ydyw, ac mae hynny'n drueni. Ar y llaw arall, ni chredaf y dylai neb danbriso maint y materion—ni ddefnyddiaf y gair 'problemau'—y bu'n rhaid i awdurdod y porthladd ddelio â hwy er mwyn cwblhau'r gronfa ddŵr croyw a delio gyda phroblemau dechreuol y morglawdd a'r llifddorau. Bu'n rhaid i'r rhain fod yn flaenoriaethau iddo, ac y mae wedi ymdrin â hwy.

[137] **Alison Halford:** So much has gone wrong—the sluice gates, the fish pass and sumps and all the rest of it. Do you have any redress against the people who built the barrage?

[137] **Alison Halford:** Mae cymaint wedi mynd o chwith—y llifddorau, y sympiau, y llwybr pysgod a phopeth arall. A yw'n bosibl hawlio iawndal gan y bobl a adeiladodd y morglawdd?

**Mr Shortridge:** I think the answer to that is 'yes and no'. It does depend on the particular contracts involved and the particular circumstances that have led to problems. However, I and my officials are very clear that, wherever there has been an unsatisfactory outcome to a contract, we look first to ensure that we are taking full advantage of any redress arrangements that there are within the contract.

**Mr Shortridge:** Credaf mai'r ateb i hynny yw 'ydyw' a 'nac ydyw'. Mae'n dibynnu ar y contractau o dan sylw a'r amgylchiadau arbennig a arweiniodd at broblemau. Fodd bynnag, mae fy swyddogion a minnau yn gwbl glir ein bod, lle bynnag y cafwyd canlyniad anfoddhaol i gontract, yn sicrhau ein bod, yn y lle cyntaf, yn manteisio i'r eithaf ar unrhyw drefniadau gwneud iawn sydd yn gynwysedig yn y contract.

[138] **Alison Halford:** Finally, are there any areas of the harbour authority's operation where, from the view of the Assembly Government, there is room for improvement? I can think of one, but I will give you first chance.

**Mr Shortridge:** I might invite Emyr to answer that question, because he and Keith are the people who deal with it on a day-to-day basis. I think, from where I am sitting—and it does pick up the point that I am sure is in your mind—there are issues around governance on which I hope there can be some development in the coming years.

**Mr Roberts:** I think that we have established good working relationships with the harbour authority. Although the business plan was later than we had hoped, and likewise the regeneration plan, now that we have those, we have the complete picture of the harbour authority's and the council's plans for the area. I am confident that it will continue the work that CBDC started and conclude it.

[139] **Alison Halford:** I am pleased that you mentioned the business plan, because it was very late and did not tell us very much. So, clearly, the provision of information would be something that I would wish to be improved. Alun has reminded me of the harbour authority's refusal to have the Vale of Glamorgan as a partner in this important authority. Again, I would have thought that there was room for improvement there.

[140] **Dafydd Wigley:** I am sure that that is something which people are aware of and will be monitoring. We turn now to the completion of the barrage project and achieving the fresh water impoundment.

[138] **Alison Halford:** Yn olaf, a oes unrhyw rai o feysydd gweithredu awdurdod y porthladd lle, ym marn Llywodraeth y Cynulliad, y gellir gwella? Gallaf feddwl am un, ond rhof y cynnig cyntaf i chi.

**Mr Shortridge:** Efallai y gofynnaf i Emyr ateb y cwestiwn hwn gan mai ef a Keith sy'n delio gyda hyn yn ddyddiol. Credaf o'm safbwynt i—ac y mae'n ymwneud â'r pwynt sydd ar eich meddwl chi yr wyf yn siŵr—fod materion sy'n gysylltiedig â'r drefn lywodraethu lle, gobeithiaf, y bydd datblygiadau yn y blynyddoedd i ddod.

**Mr Roberts:** Credaf ein bod wedi creu perthynas weithio dda gydag awdurdod y porthladd. Er i'r cynllun busnes fod yn hwyrach nag yr oeddem wedi ei obeithio, a hefyd y cynllun adfywio, gan ein bod yn meddu ar y rhain erbyn hyn, mae gennym ddarlun cyflawn o gynlluniau awdurdod y porthladd a'r cyngor ar gyfer yr ardal. Yr wyf yn hyderus y bydd yn parhau â'r gwaith a gychwynwyd gan Gorfforaeth Datblygu Bae Caerdydd, ac yn ei derfynu.

[139] **Alison Halford:** Yr wyf yn falch eich bod wedi crybwyll y cynllun busnes, gan iddo fod mor hwyr ac nad oedd yn dweud llawer wrthym. Felly, yn sicr, byddwn yn hoffi gweld y gwaith o ddarparu gwybodaeth yn gwella. Mae Alun wedi f'atgoffa i awdurdod y porthladd wrthod derbyn Bro Morgannwg fel partner yn yr awdurdod pwysig hwn. Eto tybiwn fod lle i wella yno.

[140] **Dafydd Wigley:** Yr wyf yn siŵr bod hynny'n rhywbeth y mae pobl yn ymwybodol ohono ac yn ei fonitro. Trown yn awr at gwblhau prosiect y morglawdd a chyflawni'r gwaith o greu cronfa ddŵr croyw.

[141] **Val Lloyd:** Alison and you dealt earlier with some of the questions that I had, Chair, so I will not repeat them. In your view, Mr Shortridge, why were the dredging costs £2.8 million greater than the original financial provision?

**Mr Shortridge:** It was largely because market conditions had turned against the harbour authority in the interim period in the second year. It was also in part because the dredging specification was enlarged and enhanced to meet fuller requirements.

[142] **Val Lloyd:** Where did the fuller requirements come from? Did they just arise or was there a decision to widen the scope?

**Mr Shortridge:** Well, Keith can help on this, but I think that the redesign of the sump was part of the additional dredging costs and there may have been some broadening out of what was to be dredged, in addition to the fact that, overall, the dredging was to a greater depth than might have been the case before.

[143] **Val Lloyd:** Thank you. As you have mentioned the sump, I will jump to that. Will you give me your view on why progress has been slow in rectifying the problems with the sluice gates, which I know involves the sump?

**Mr Shortridge:** I think that the sluice gates are a bit different from the sump. The automatic operation of the sluice gates is clearly a very sensitive business. We are dealing here, I guess, with cutting edge technology. The Environment Agency, quite rightly, is insistent that all its requirements are met. So, there have been technological issues involved in dealing with them. My understanding is that the harbour authority is now poised to start putting the automatic process in place, if it has not already done so, but it will be at least a year before the agency

[141] **Val Lloyd:** Gadeirydd, mae Alison a chithau wedi delio'n gynharach gyda rhai o'm cwestiynau, ac felly ni wnaef eu hailadrodd. Yn eich barn chi, Mr Shortridge, pam oedd y costau carthu £2.8 miliwn yn fwy na'r ddarpariaeth ariannol wreiddiol?

**Mr Shortridge:** Yn bennaf, yr oedd oherwydd bod amgylchiadau'r farchnad wedi troi yn erbyn awdurdod y porthladd yn y cyfnod interim yn yr ail flwyddyn. Hefyd, yn rhannol, yr oedd oherwydd bod y gwaith carthu wedi cael ei ymestyn a'i ehangu er mwyn diwallu gofynion llawnach.

[142] **Val Lloyd:** O ble y daeth y gofynion llawnach? Ai dim ond codi a wnaethant ynteu a wnaethpwyd penderfyniad i'w ehangu?

**Mr Shortridge:** Wel, gall Keith helpu gyda hyn, ond credaf fod ailddylunio'r sÿmp wedi bod yn rhan o'r costau carthu ychwanegol ac efallai fod rhywfaint o ehangu wedi bod gyda'r hyn a oedd i'w garthu, yn ogystal â'r ffaith bod y carthu, yn gyffredinol, yn ddyfnach nag y nodwyd yn flaenorol o bosibl.

[143] **Val Lloyd:** Diolch yn fawr. Gan i chi gyfeirio at y sÿmp, symudaf at hwnnw. A roddwch eich barn ar arafwch y cynnydd gyda chywiro'r problemau gyda'r llifddorau, y mae'r sÿmp, mi wn, yn gysylltiedig â hwy?

**Mr Shortridge:** Credaf fod y llifddorau ychydig yn wahanol i'r sÿmp. Mae gweithrediad awtomatig y llifddorau yn fater sensitif iawn yn sicr. Yr ydym yn delio yma, mi dybiaf, gyda thechnoleg flaengar ac arloesol. Mae Asiantaeth yr Amgylchedd yn mynnu, a da o beth yw hynny, bod ei holl ofynion yn cael eu bodloni. Felly, mae materion technolegol wedi bod ynghlwm wrth ddelio â hyn. Deallaf fod awdurdod y porthladd ar fin rhoi'r broses awtomatig ar waith, os nad yw wedi gwneud hynny'n barod, ond bydd o leiaf blwyddyn cyn bydd

is satisfied that the harbour authority can rely exclusively on the automatic system.

yr asiantaeth yn gwbl fodlon y gall awdurdod y porthladd ddibynnu ar y system awtomatig yn unig.

[144] **Val Lloyd:** The link that I was making is that, if the sluice gates are not working properly, the salinity will be affected. I thought that the sump had something to do with that. Forgive me if I am not technical enough.

[144] **Val Lloyd:** Y cysylltiad yr oeddwn yn ei wneud oedd hyn: os nad yw'r llifddorau'n gweithio'n iawn, bydd effaith ar yr heliedd. Yr oeddwn yn meddwl bod gan y sŷmp rywbeth i'w wneud â hynny. Ymddiheuraf os nad wyf yn ddigon technegol.

**Mr Shortridge:** No, I am sure that you are right and I apologise. On the other hand, I think that the salinity will be affected whether you are operating manually or automatically. I do not know, I am afraid, whether there is a greater or lesser salinity problem depending on which one you use.

**Mr Shortridge:** Na, yr wyf yn sicr eich bod yn iawn ac ymddiheuraf. Ar y llaw arall, credaf yr effeithir ar yr heliedd pa un a fydd y llifddorau yn cael eu gweithio â llaw neu'n awtomatig. Mae arnaf ofn nad wyf yn gwybod a fydd y broblem heliedd yn fwy neu'n llai a ddibynnu ar ba ddull a ddefnyddir.

[145] **Val Lloyd:** Paragraph 3.28 tells me that the proposed aeration system was altered. We have touched on that. Could you tell me then how you satisfied yourself that the aeration system that was put in place was proven technology?

[145] **Val Lloyd:** Mae paragraff 3.28 yn dweud wrthyf bod y system awyru arfaethedig wedi cael ei newid. Crybwyllwyd hynny gennym. A allwch chi ddweud wrthyf sut y bu i chi fodloni eich hun bod y system awyru a osodwyd yn defnyddio technoleg gadarn?

**Mr Shortridge:** That was a matter for the Environment Agency. The harbour authority has to satisfy the Environment Agency on the outcomes. I think—and again colleagues can correct me if I am wrong—that it is in the primary legislation that the conditions must not fall below a certain minimum. The Environment Agency is acting on our behalf to ensure that that is the case.

**Mr Shortridge:** Mater i Asiantaeth yr Amgylchedd oedd hynny. Mae'n rhaid i awdurdod y porthladd fodloni Asiantaeth yr Amgylchedd parthed y canlyniadau. Credaf—ac eto gall fy nghydweithwyr fy nghywiro os wyf yn anghywir—fod y ddeddfwriaeth sylfaenol yn nodi na ddylai'r safonau ddisgyn o dan isafbwynt neilltuol. Mae Asiantaeth yr Amgylchedd yn gweithredu ar ein rhan i sicrhau bod hynny'n digwydd.

[146] **Val Lloyd:** Thank you. That leads me splendidly into my next question regarding the environmental responsibilities. Are you satisfied with the reporting lines and timely management information flow between the Environment Agency and the Assembly? I put that question in view of the fact that it is the Assembly that will have to meet the cost of any failures in the environmental

[146] **Val Lloyd:** Diolch yn fawr. Mae hynny'n fy arwain yn hwylus at fy nghwestiwn nesaf parthed y cyfrifoldebau amgylcheddol. A ydych yn fodlon gyda'r llinellau adrodd a'r llif gwybodaeth reoli amserol rhwng Asiantaeth yr Amgylchedd a'r Cynulliad? Gofynnaf y cwestiwn gan mai'r Cynulliad fydd yn gorfod ysgwyddo costau unrhyw fethiannau gyda rheolaeth

management of the bay area.

amgylcheddol ardal y bae.

**Mr Shortridge:** That is something that I have not investigated for the purposes of this examination, so I will not give you a glib answer. The only point I can make is that I am not aware of, and no-one has drawn my attention to, any problems in relation to the way in which the Environment Agency is exercising its responsibilities. I am sure that the Environment Agency Wales, with which I have fairly regular contact, would have drawn my attention to any problems.

**Mr Shortridge:** Nid wyf wedi archwilio'r mater hwnnw at ddibenion yr ymchwiliad hwn, ac felly ni roddaf ateb slic. Yr unig bwynt y gallaf ei wneud yw nad wyf yn ymwybodol o unrhyw broblemau o ran y ffordd y mae Asiantaeth yr Amgylchedd yn ysgwyddo'i gyfrifoldebau, ac nid oes neb wedi tynnu fy sylw at unrhyw broblem felly. Yr wyf yn siŵr y byddai Asiantaeth yr Amgylchedd Cymru, corff y mae gennyf gyswllt eithaf rheolaidd ag ef, wedi tynnu fy sylw at unrhyw broblemau.

[147] **Dafydd Wigley:** Will you drop us a note on that?

[147] **Dafydd Wigley:** A fyddech chi'n darparu nodyn i ni ar hynny?

**Mr Shortridge:** Yes, I will submit a supplementary note on that point.

**Mr Shortridge:** Gwnaf, cyflwynaf nodyn atodol ar y pwynt hwnnw.

[148] **Val Lloyd:** I think that most of the other questions I was going to ask have already been covered.

[148] **Val Lloyd:** Credaf fod y rhan fwyaf o'r cwestiynau eraill yr oeddwn am eu gofyn wedi cael eu trafod yn barod.

[149] **Dafydd Wigley:** I move on, therefore, to part 4 of the Auditor General's report, which deals with the Welsh Development Agency. The report refers to the development agreement with Associated British Ports, which the WDA is now responsible for managing. Did this agreement offer the public sector genuine value for money, given that the base level for land prices has never been reached?

[149] **Dafydd Wigley:** Symudaf ymlaen felly at ran 4 adroddiad yr Archwilydd Cyffredinol, sy'n delio ag Awdurdod Datblygu Cymru. Mae'r adroddiad yn cyfeirio at y cytundeb datblygu gydag Associated British Ports, cytundeb y mae'r ADC erbyn hyn yn gyfrifol am ei reoli. A oedd y cytundeb hwn yn cynnig gwir werth am arian i'r sector cyhoeddus, o wybod nad yw'r lefel sylfaen ar gyfer prisiau tir wedi'i gyrraedd erioed?

**Mr Shortridge:** I think that we will have to wait for the overall evaluation to give an indication on that. We have not yet run out of time for overage to kick in, so I am personally hopeful that we will get some further return from that.

**Mr Shortridge:** Credaf y bydd rhaid i ni ddisgwyl i'r gwerthusiad cyffredinol roi syniad i ni ar hynny. Mae gennym amser ar ôl o hyd i'r trefniadau gorswm ddod i rym, ac felly, yn bersonol, yr wyf yn obeithiol y cawn rywbeth pellach o hynny.

[150] **Dafydd Wigley:** When the overage kicks in, will you have processes in place to

[150] **Dafydd Wigley:** Pan ddaw'r trefniadau gorswm i rym, a fydd y prosesau gennych i

ensure that the clauses are monitored for the length of time that they remain in force thereafter?

sicrhau bod y cymalau'n cael eu monitro am y cyfnod y byddant mewn grym wedi hynny?

**Mr Shortridge:** Yes. What I have been told is that the agency has had no problems at all in securing access to all the information it requires from ABP, and that these matters are covered at quarterly liaison meetings.

**Mr Shortridge:** Bydd. Yr wyf wedi cael gwybod nad yw'r awdurdod wedi cael unrhyw broblemau cael mynediad at yr holl wybodaeth y mae ei angen gan ABP, a thrafodir y materion hyn mewn cyfarfodydd cyswllt chwarterol.

[151] **Dafydd Wigley:** Out of interest, the agency reduced the development corporation's estimated clawback by £100,000—to £550,000—in respect of two development grants. Why was that? That is paragraph 4.28.

[151] **Dafydd Wigley:** Fel mater o ddiddordeb, gostyngodd yr awdurdod adfachiad amcangyfrifedig y gorfforaeth datblygu gan £100,000—i £550,000—parthed dau grant datblygu. Pam y gwnaethpwyd hynny? Mae hynny ym mharagraff 4.28.

**Mr Shortridge:** What I can tell you on that, Chair, is that, before enforcing clawback arrangements, the agency considers each case where clawback action would or could endanger the continued economic viability of a company, and it is taking that aspect into account which can lead to changes in estimates.

**Mr Shortridge:** Yr hyn y gallaf ei ddweud wrthyech ar hynny, Gadeirydd, yw fod yr awdurdod, cyn gorfodi trefniadau adfachu, yn ystyried pob achos lle byddai, neu lle gallai, adfachu beryglu hyfywedd economaidd parhaus cwmni, a'r ystyriaeth honno sy'n gallu arwain at newidiadau i'r amcangyfrifon.

[152] **Dafydd Wigley:** I am aware of that facility.

[152] **Dafydd Wigley:** Yr wyf yn ymwybodol o'r cyfleuster hwnnw.

[153] **Janet Davies:** I want to consider paragraphs 4.10 to 4.19, which concern the Bute Avenue private finance initiative scheme. Clearly, these sort of agreements are always quite complex, and, perhaps for the benefit of people who may not be in this room, I want to mention that City Link (Cardiff) Ltd was set up especially by Norwest Holt and MEPC plc to take on the responsibilities for this initiative.

[153] **Janet Davies:** Hoffwn ystyried paragraffau 4.10 i 4.19, sy'n ymwneud â chynllun menter cyllid preifat Rhodfa Bute. Yn amlwg, mae trefniadau o'r fath bob amser yn eithaf cymhleth ac, efallai er budd pobl nad ydynt yn yr ystafell hon, hoffwn grybwyll fod City Link (Cardiff) Cyf wedi'i sefydlu'n benodol gan Norwest Holt a MEPC ccc i ymgymryd â chyfrifoldebau dros y fenter hon.

The WDA is paying £128 million, inflation linked, up to 2025 to the private sector partner for the building and maintenance of the Bute Avenue scheme. The Welsh Assembly Government underwrites this. Was

Mae Awdurdod Datblygu Cymru yn talu £128 miliwn, wedi'i gysylltu â chwyddiant, hyd at 2025 i'r partner sector preifat i adeiladu a chynnal cynllun Rhodfa Bute. Mae Llywodraeth Cynulliad Cymru'n yswirio

any comparison made with what the costs of public funding would have been?

**Mr Shortridge:** As part of the evaluation of this process, a public sector comparator was used to measure the trade-off between taking a conventional up-front funding route and using PFI. The decision was taken to go the PFI way, informed by that evaluation.

[154] **Janet Davies:** On the ULTra transport scheme that is being talked about—I realise that this is ahead of us, not in the past, so clearly we cannot get involved in any policy matters here—does it answer the obligations of the Bute Avenue section 106 planning agreement?

**Mr Shortridge:** Not to my knowledge, but until there is a proposal before us, which there is not, neither I nor anyone else could give an absolute answer to that.

[155] **Janet Davies:** There is an issue about whether we will ever get a rapid transport system down to the bay. The removal of the heavy rail embankment does not seem to be on the books any longer. That means widening the Herbert Street bridge in order to meet planning conditions. Do you agree that the rapid transport system is not likely to be set up now? It is very important to get this sort of public transport down here.

**Mr Shortridge:** I do not think that I can comment on a future policy decision that may or may not be taken by the Welsh Assembly Government. What I can say, in relation to paragraph 4.17, is that we now have the report referred to there, which is reviewing the options for the second phase of the Bute Avenue scheme. This is something on which we are currently working, and I have no doubt that announcements will be made in due course.

[156] **Janet Davies:** I turn to the compulsory purchase order scheme and its costs. The

hwn. A wnaethpwyd cymhariaeth â beth fuasai'r costau o ddefnyddio arian cyhoeddus?

**Mr Shortridge:** Fel rhan o'r gwaith arfarnu ar y broses hon, defnyddiwyd cymharydd sector cyhoeddus i fesur manteision ac anafanteision defnyddio llwybr ariannu uniongyrchol confensiynol a defnyddio PFI. Penderfynwyd defnyddio PFI, yn sgîl yr arfarniad hwnnw.

[154] **Janet Davies:** Ynghylch y cynllun trafndiaeth ULTra sy'n cael ei drafod—yr wyf yn sylweddoli bod hyn o'n blaenau, ac nid yn y gorffennol, ac felly ni allwn ystyried materion polisi yma—a yw'r cynllun yn bodloni goblygiadau cytundeb cynllunio adran 106 Rhodfa Bute?

**Mr Shortridge:** Nid hyd y gwn i, ond hyd nes y rhoddir cynnig ger ein bron, ac nid oes un, ni allaf fi na neb arall roi ateb sicr ar hynny.

[155] **Janet Davies:** Mae'n gwestiwn a gawn ni byth system drafnidiaeth gyflym i lawr i'r bae. Mae'n ymddangos nad yw cael gwared ar yr arglawdd rheilffordd trwm yn debygol o ddigwydd bellach. Mae hynny'n golygu y bydd yn rhaid ehangu pont Stryd Herbert er mwyn bodloni'r amodau cynllunio. A ydych yn cytuno na fydd y system drafnidiaeth gyflym yn debygol o gael ei sefydlu erbyn hyn? Mae'n bwysig iawn cael y math hwn o gludiant cyhoeddus yma.

**Mr Shortridge:** Ni chredaf y gallaf wneud sylwadau ar benderfyniad polisi y gall Llywodraeth Cynulliad Cymru ei gymryd neu beidio yn y dyfodol. Yr hyn y gallaf ei ddweud, parthed paragraff 4.17, yw ein bod erbyn hyn wedi derbyn yr adroddiad y cyfeirir ato yno, sy'n adolygu'r opsiynau ar gyfer ail gam cynllun Rhodfa Bute. Mae hyn yn rhywbeth yr ydym yn gweithio arno ar hyn o bryd, ac yr wyf yn sicr y gwneir cyhoeddiadau gyda hyn.

[156] **Janet Davies:** Trof at y cynllun gorchymyn prynu gorfodol a'i gostau. Yr

whole deal of the compulsory purchase order was for the road and residential and commercial developments. In the original agreement, according to the report, City Link (Cardiff) Ltd will pay back anything up to £9.9 million of the CPO costs, and 25 per cent of the costs between £9.9 million and £12.375 million. Since then, the Assembly Government and the WDA have decided to meet all the costs over £9.9 million, instead of increasing the unitary payments. Will you explain the implications and possible effects of this decision?

oedd cwmpas y gorchymyn prynu gorfodol ar gyfer y datblygiadau masnachol a phreswyl a'r ffordd. Yn y cytundeb gwreiddiol, yn ôl yr adroddiad, bydd City Link (Cardiff) Cyf yn talu'n ôl unrhyw beth hyd at £9.9 miliwn o gostau'r GPG, a 25 y cant o'r costau rhwng £9.9 miliwn a £12.375 miliwn. Ers hynny, mae Llywodraeth y Cynulliad ac Awdurdod Datblygu Cymru wedi penderfynu ariannu'r holl gostau uwchben £9.9 miliwn, yn hytrach na chynyddu'r taliadau unedol. A wnewch chi egluro goblygiadau ac effeithiau posibl y penderfyniad hwn?

**Mr Shortridge:** The unitary charge was based on the assumption that City Link would have to meet £9.9 million of the costs of the CPO. Actually, the costs have turned out to be more than that. Therefore, we were faced with the choice of either increasing the unitary charge or paying the additional marginal expenditure up front. As far as I am concerned, it was very clear that the right thing to do under the circumstances was to pay it up front, because the overall unitary charge reflects a transfer of risk. In the case of this additional marginal expenditure, we would not have been transferring any further risk. Therefore, it seemed the best value for money option to pay it up front.

**Mr Shortridge:** Yr oedd y taliad unedol yn seiliedig ar y rhagdybiaeth y byddai'n rhaid i City Link ariannu £9.9 miliwn o gostau'r GPG. Mewn gwirionedd, mae'r costau wedi bod yn fwy na hynny. Felly, yr oedd gennym ddewis o naill ai gynyddu'r taliad unedol neu dalu'r gwariant ffiniol ychwanegol o flaen llaw yn llawn. Yn fy marn I, yr oedd hi'n amlwg mai'r peth iawn i'w wneud o dan yr amgylchiadau oedd ei dalu'n llawn o flaen llaw, oherwydd bod taliad unedol cyffredinol yn adlewyrchu trosglwyddo risg. Yn achos y gwariant ffiniol ychwanegol hwn, ni fuasem yn trosglwyddo unrhyw risg bellach. Felly, y farn oedd mai talu o flaen llaw yn llawn oedd yr opsiwn gwerth am arian gorau.

[157] **Janet Davies:** Thank you; it was not that clear in the report. We have referred to the overage clauses. Unless it is commercially confidential, will you tell us what is the specified percentage level of profit before the overage clauses operate?

[157] **Janet Davies:** Diolch yn fawr; nid oedd mor glir â hynny yn yr adroddiad. Yr ydym wedi cyfeirio at y cymalau gorswm. Oni bai ei fod yn fasnachol gyfrinachol, a ddywedwch wrthym beth yw lefel ganrannol benodedig yr elw cyn y bydd y cymalau gorswm yn weithredol?

**Mr Shortridge:** I honestly do not know whether that is confidential or not. I certainly hope that it is not, but I think that it is best, under the circumstances, if I submit a note on that.

**Mr Shortridge:** Nid wyf yn gwybod a yw hyn yn gyfrinachol neu beidio, yn wir. Gobeithio nad ydyw, ond efallai mai'r peth gorau i'w wneud o dan yr amgylchiadau yw i mi gyflwyno nodyn ar hynny.

[158] **Janet Davies:** Right. Will you tell me what monitoring procedures are in place to ensure that all the moneys are collected from the 60 per cent of profits that will come to the public sector above this specified level?

[158] **Janet Davies:** Iawn. A ddywedwch wrthyf pa drefniadau monitro sydd ar waith i sicrhau y cesglir yr holl arian o'r 60 y cant o elw a ddaw i'r sector cyhoeddus uwchben y lefel benodedig hon?

**Mr Shortridge:** I think, in general terms, what I can say is that the WDA has appointed contractors to monitor all of this. The report that I have had is that those monitoring arrangements are proceeding to the WDA's and to our satisfaction. I am confident that we will be vigilant to ensure that, if and when any overage becomes payable, it will be correctly identified and recovered.

**Mr Shortridge:** Credaf, yn gyffredinol, mai'r hyn y gallaf ei ddweud yw bod Awdurdod Datblygu Cymru wedi penodi contractwyr i fonitro hyn i gyd. Adroddwyd wrthyf bod y trefniadau monitro hyn yn mynd rhagddynt mewn ffordd sy'n foddhaol gan Awdurdod Datblygu Cymru a ninnau. Yr wyf yn hyderus y byddwn yn ofalus iawn i sicrhau, os a phan fydd taliadau gorswm yn daladwy, y bydd yr arian hwn yn cael ei bennu a'i adennill yn gywir.

[159] **Janet Davies:** Finally, I turn to Plymouth Park. The report states that the revenue costs in 2000-01 were £163,000. In an answer to a written question today, it was stated to be £169,000. Do you have any information as to why there is this discrepancy?

[159] **Janet Davies:** Yn olaf, trof at Barc Plymouth. Mae'r adroddiad yn nodi mai £163,000 oedd y costau refeniw yn 2000-01. Mewn ateb i gwestiwn ysgrifenedig heddiw, nodwyd mai £169,000 oedd y swm. A oes gennych wybodaeth ynghylch yr anghysondeb hwn, a'r rheswm drosto?

**Mr Shortridge:** I think that I will have to ask Keith Parsons on the point of detail. Essentially, the big picture answer is that the estimates made for the capital and revenue costs associated with the management of Plymouth Park proved to be too conservative. As members will be aware, the management of landfill sites is a complex business and can also be an expensive one. I am sure that that is the basic answer but, if you want a more detailed answer, Keith may be able to help you.

**Mr Shortridge:** Credaf y bydd yn rhaid i mi ofyn i Keith Parsons o ran y manylion. Yn y bôn, yr ateb yn gyffredinol yw y bu'r amcangyfrifon a wnaethpwyd ar gyfer y costau cyfalaf a refeniw a oedd yn gysylltiedig â rheoli Parc Plymouth yn rhy geidwadol. Fel y gŵyr aelodau, mae'r gwaith o reoli safleoedd tirlenwi yn fusnes cymhleth a gall fod yn ddruod iawn hefyd. Yr wyf yn siŵr mai dyna yw'r ateb sylfaenol, ond os hoffech gael ateb mwy manwl, efallai y gall Keith eich helpu.

**Mr Parsons:** I am afraid that I do not know; it is not my particular patch. May we provide a note on this?

**Mr Parsons:** Mae arnaf ofn nad wyf yn gwybod; nid wyf yn delio gyda'r maes arbennig hwn. A allwn ddarparu nodyn ar hyn?

[160] **Dafydd Wigley:** I am sorry that the number of notes is building up. I am sure that we will have them and that they will be helpful.

[160] **Dafydd Wigley:** Mae'n ddrwg gennyf fod nifer y nodiadau'n cynyddu. Yr wyf yn siŵr y byddwn yn eu cael ac y byddant yn ddefnyddiol.

[161] **Janet Davies:** I will leave it at that, Dafydd.

[161] **Janet Davies:** Gadawaf hi ar hynny, Dafydd.

[162] **Dafydd Wigley:** We are coming to the conclusion. We turn now to the Countryside Council for Wales, part 5 of the report.

[162] **Dafydd Wigley:** Yr ydym yn tynnu i ben. Trown yn awr at Gyngor Cefn Gwlad Cymru, rhan 5 yr adroddiad.

[163] **Ann Jones:** How confident are you that Gwent Levels Wetlands Reserve will qualify for special protection area status within a reasonable timescale? Are you having a regular update and is monitoring going on on the likelihood of securing this status?

[163] **Ann Jones:** Pa mor hyderus ydych chi y bydd Gwarchodfa Gwlyptir Gwastadeddau Gwent yn derbyn statws ardal diogelwch arbennig o fewn amserlen resymol? A ydych yn derbyn y wybodaeth ddiweddaraf yn rheolaidd ac a oes monitro'n digwydd ynghylch pa mor debygol y mae'r warchodfa o gael y statws hwn?

**Mr Shortridge:** I think that all I can say on that is that the Countryside Council for Wales is our agent in this. CCW has the people with the professional qualifications and it has told us categorically that it is confident that the target will be met. So, as officials, we are monitoring that as part of our sponsorship arrangement with the CCW. It may be that it will not be met, but I have had nothing from CCW or from colleagues here to indicate that it will not be.

**Mr Shortridge:** Credaf mai'r unig beth y gallaf ei ddweud ar hyn yw mai Cyngor Cefn Gwlad Cymru yw ein hasiant yn hyn o beth. Mae gan Gyngor Cefn Gwlad Cymru y staff gyda'r cymwysterau proffesiynol ac mae wedi dweud yn bendant ei fod yn hyderus y bydd y targed yn cael ei gyrraedd. Felly, fel swyddogion, yr ydym yn monitro hynny fel rhan o'n trefniant nawdd gyda'r Cyngor Cefn Gwlad. Efallai na fydd y targed yn cael ei gyrraedd, ond nid wyf wedi derbyn unrhyw beth gan y Cyngor na chan gydweithwyr yma i nodi na fydd hyn yn digwydd.

[164] **Ann Jones:** Thank you. We touched on the escalation of the costs of the reserve earlier, but how do you see the cost of further developing this reserve to attract more visitors, and therefore secure its status, being funded?

[164] **Ann Jones:** Diolch yn fawr. Crybwyllwyd gennym yn gynharach y cynnydd yng nghostau'r warchodfa, ond sut ydych chi'n credu y bydd cost datblygu'r warchodfa hon ymhellach er mwyn denu mwy o ymwelwyr, ac felly sicrhau ei statws, yn cael ei ariannu?

**Mr Shortridge:** I think that an important development associated with the reserve will be to create visitor and associated facilities on the site so that there is a real public benefit from the reserve. The current proposition, or what is currently being talked about, is a co-funded project between the tourist board and the local authority.

**Mr Shortridge:** Credaf mai datblygiad pwysig a fydd yn gysylltiedig â'r warchodfa fydd creu cyfleusterau ar gyfer ymwelwyr a chyfleusterau cysylltiedig ar y safle er mwyn sicrhau bod y cyhoedd yn cael budd gwirioneddol o'r warchodfa. Y cynnig ar hyn o bryd, neu'r hyn sy'n cael ei drafod ar hyn o bryd, yw prosiect rhwng y bwrdd croeso a'r awdurdod lleol a fydd yn cael ei ariannu ar y cyd.

[165] **Ann Jones:** Do you not see the Assembly providing additional money to fund a visitor centre, because there was no

[165] **Ann Jones:** Onid ydych chi'n gweld y Cynulliad yn darparu arian ychwanegol i ariannu canolfan i ymwelwyr, gan nad oedd

financial commitment under the section 165 agreement, was there?

ymrwymiad ariannol o dan y cytundeb adran 165, nag oedd?

**Mr Shortridge:** If the Assembly Government were to provide additional funding, I imagine that it would be through the Wales Tourist Board and the grant in aid that we give it.

**Mr Shortridge:** Pe bai Llywodraeth y Cynulliad yn darparu cyllid ychwanegol, yr wyf yn tybio mai drwy Bwrdd Croeso Cymru y byddai hynny'n cael ei wneud, a'r cymorth grant a roddwn iddo.

[166] **Ann Jones:** Okay, thank you.

[166] **Ann Jones:** Iawn, diolch yn fawr.

[167] **Dafydd Wigley:** Part 6 of the report relates to the Vale of Glamorgan County Borough Council. Janice?

[167] **Dafydd Wigley:** Mae rhan 6 yr adroddiad yn trafod Cyngor Bwrdeistref Sirol Bro Morgannwg. Janice?

[168] **Janice Gregory:** Jon, my question is virtually the same as I asked you earlier, and I think that we all remember your answer about what the Vale of Glamorgan will get and what its vision is. Do you think that the Penarth link is still seen as an integral part of the project to build the barrage?

[168] **Janice Gregory:** Jon, mae fy nghwestiwn bron yr un peth â'r un a ofynnais i chi'n gynharach, a chredaf ein bod i gyd yn cofio eich ateb ynghylch yr hyn y bydd Bro Morgannwg yn ei dderbyn a beth yw ei weledigaeth. A ydych yn credu bod llwybr cyswllt Penarth yn dal i gael ei ystyried yn rhan annatod o'r prosiect i adeiladu'r morglawdd?

**Mr Shortridge:** I am sure that it is and that is why we had the section 165 agreement with the Vale and a commitment to the not inconsiderable sum of £7.5 million.

**Mr Shortridge:** Yr wyf yn siŵr ei fod, a dyna pam y cawsom y cytundeb adran 165 gyda'r Fro ac ymrwymiad i'r swm nid bychan o £7.5 miliwn.

[169] **Janice Gregory:** Right. I do not have a supplementary on that.

[169] **Janice Gregory:** Iawn. Nid oes gennyf gwestiwn atodol ar hynny.

[170] **Dafydd Wigley:** Diolch yn fawr iawn. Yr ydym wedi cyrraedd diwedd y sesiwn hir hon. Diolchaf i'r tystion am eu hatebion llawn ac adeiladol. Er bod y cwestiynau, ar adegau, wedi bod yn eithaf caled, nid yw hynny'n tynnu oddi ar ein parch tuag at eich gwaith nac oddi ar ein sicrwydd eich bod yn gwneud y gwaith hwnnw er lles y Cynulliad a Chymru. Gofynnwn y cwestiynau er mwyn sicrhau ein bod yn cael gwerth ein harian a bod y systemau mewn lle, fel y gwn y byddwch yn ei werthfawrogi.

[170] **Dafydd Wigley:** Thank you very much. We have reached the end of this long session. I thank the witnesses for their full and constructive answers. Although the questions were, at times, quite stringent, that does not take away from our respect for the work you do, nor our certainty that you undertake that work for the benefit of the Assembly and Wales. We are asking the questions to ensure that we get value for money and that the systems are in place, as I know that you will appreciate.

Anfonir trawsgrifiad atoch fel y gallwch sicrhau ei gywirdeb ffeithiol cyn y'i cyhoeddir fel rhan o'r cofnodion. Pan gyhoeddir adroddiad y Pwyllgor, caiff y trawsgrifiad ei gynnwys fel atodiad.

A transcript will be sent to you so that you can ensure its factual accuracy before it is published as part of the minutes. When the Committee's report is published, the transcript will be included as an annex.

Diolchaf hefyd i aelodau'r Pwyllgor am fod yn amyneddgar ac am ddal yn ôl ar rai cwestiynau na chawsom amser i'w gofyn heddiw. Diolch am eich presenoldeb.

I also thank Committee members for their patience and for holding back on some of the questions that we did not have time to ask today. Thank you for being present.

*Daeth y sesiwn cymryd tystiolaeth i ben am 4.30 p.m.  
The evidence-taking session ended at 4.30 p.m.*

Rt Hon Dafydd Wigley AM

JBB/1356/03

Chair of the Audit Committee

National Assembly for Wales

Cardiff Bay

CF99 1NA

25 March 2003

## **CONTINUING THE REGENERATION OF CARDIFF BAY: FOLLOW-UP WORK**

1. You will recall that when I published my report *Continuing the Regeneration of Cardiff Bay* in April 2002, I had not had the benefit of direct access to the staff or records of Cardiff Harbour Authority which is responsible for the management and operation of the Cardiff Bay Barrage and the Bay itself. I did, however, have access to a great deal of information through Economic Policy Division within the Assembly Government. When the Committee considered my report, it was very concerned that the Assembly had not been able to secure direct access for me to the Harbour Authority even though the relevant Section 165 agreement between the Assembly and Cardiff County Council provides for the Assembly's nominee to have reasonable access to the Authority's books and records.
2. In the light of the Committee's concerns and with the Committee's support, the Permanent Secretary renewed his efforts to secure access for me to the Harbour Authority. The Permanent Secretary was successful in this and agreed arrangements with Cardiff County Council that enabled the National Audit Office, working in conjunction with Assembly Government officials, to meet Harbour Authority staff and see any relevant Harbour Authority documents. On this basis, working with Assembly Government officials, the National Audit Office met staff of the Harbour Authority on three separate occasions to discuss the work of the Harbour Authority and the progress which it is making. The National Audit Office was also able to inspect a number of Harbour Authority projects and to review the information provided by the Harbour Authority to the Assembly Government. This material included detailed financial reports and budgets, a review of the Harbour Authority's business plan and regeneration programme, the minutes of the Harbour Authority's cabinet (board), and notes of meetings of the Environmental Communication Forum which brings together the Harbour Authority, Environment Agency, Countryside Council for Wales and Assembly Government officials to discuss environmental issues relating to the Bay.

3. Given this the Committee will wish to note that this new work has confirmed that my report *Continuing the Regeneration of Cardiff Bay* was complete and did not contain any material omissions. In addition I thought I would use the information generated by this exercise to set out for the Committee the progress which has been made on a number of issues which I highlighted in my report (for example in Figure 2.4). These included finalising financial memoranda, the drawdown of grant by Cardiff County Council and the treatment of Value Added Tax (VAT). In addition this letter also sets out developments linked to the Assembly Government's monitoring of the Harbour Authority and to the evaluation of the regeneration of Cardiff Bay. Finally I provide up to date financial information on all the successor bodies to the Cardiff Bay Development Corporation.

### **Financial memoranda**

4. Under the terms of the relevant Section 165 agreements, the Assembly should agree arrangements with Cardiff County Council and the Vale of Glamorgan Council to clarify financial planning, payment of grant, financial reporting, audit and tax issues. It was agreed to set out these arrangements in the form of Memoranda of Conditions of Funding (financial memoranda). Although the memoranda are subsidiary to the Section 165 agreements, they are important documents which provide a clear framework for accountability and financial control and which are intended to settle key issues that may be unclear in the main agreements.
5. The Assembly agreed a financial memorandum with the Vale of Glamorgan in January 2001. When the Committee took evidence on the report in June 2002, the two financial memoranda for Cardiff (one for the Harbour Authority and one for the non-developable assets transferred to the Council) had still not been signed. However, a substantive draft was in place and most arrangements within it were being followed. There was a dispute about the timing of grant payments and there was a need to be clear about the treatment of Value Added Tax (VAT). The financial memoranda were signed by a senior Assembly Government official on 21 and 24 March 2003, pending Harbour Authority Cabinet approval at their meeting of 2 April 2003. The terms of each memorandum are substantially the same as those in the Vale of Glamorgan's memorandum, and provide for a framework of accountability and control that is normal for grants paid by the Assembly to local authorities. These include requirements for regular financial reporting, payment of grant as expenditure is incurred, an annual budget, an annual audit, and access to information for the Assembly. The memoranda also deal specifically with the more difficult issues of the timing of grant payments and the treatment of VAT.

### **Drawdown of grant**

6. The grant paid to Cardiff County Council falls into five main categories:

- fixed costs (also known as quantified costs) which are maximum amounts payable for providing certain services or equipment. These amount to £33.0 million over the three-year period to 31 March 2003, of which £24.8 million is for revenue expenditure (mainly facilities management functions of the Harbour Authority) and £8.2 million for capital costs as set out in the Section 165 agreement. The Council may retain underspends on the revenue costs, to be applied to the functions, duties and area of the Harbour Authority, but the Assembly is entitled to retain any savings on the capital costs;
  - variable costs: the Assembly reimburses the Council for actual costs that it incurs on liabilities identified at the outset in the Section 165 agreements;
  - completion of the Barrage project;
  - transitional funding for regeneration, including the completion of other projects that were not finished by the Cardiff Bay Development Corporation before it was wound up; and
  - unforeseen costs/additional claims.
7. Cardiff County Council is entitled to the full fixed cost allowance for running costs, provided they fulfil all their obligations under the Section 165 agreement. However, as I noted in my report, there have been disputes between the parties on the timing of payments. Cardiff drew down the full budget for the first year's running costs in March 2001, although it had actually spent £3.2 million less than the budget. Assembly Government officials considered this to be inappropriate – because public money should not be spent in advance of need – and recovered the additional amount by withholding grant payments in late 2001 and early 2002. The Council, however, believed that it was entitled to draw down pre-determined amounts each year under the terms of the Harbour Authority Section 165 agreement.
8. Following discussion and consultation, both parties reached an agreement on the timing of grant payments for running costs in May 2002. The Council has claimed grant as expenditure is incurred, so that grant payments by the Assembly are aligned with payments by the Council. Any savings on fixed running costs will be credited to a Savings Budget. This money must be spent on the functions, duties and area of the Harbour Authority and the Council will develop spending proposals in consultation with the Assembly Government. The Council may then draw down payments against this budget as expenditure is incurred on its spending proposals.
9. These arrangements have been incorporated into the financial memoranda which have been signed by the Assembly and are expected to be signed shortly by the Council, and formally resolve the issue of payment in advance of need.

#### **Value Added Tax (VAT)**

10. The financial memoranda for the Harbour Authority has also clarified the treatment of VAT. The Council will not claim grant in respect of VAT that it can recover from Customs and Excise, which means that the Council will not receive more grant than its net spending on the related activities.
11. The Council does not claim VAT for any of the services it provides on behalf of the Assembly. Consequently, the Assembly is expected to secure a VAT saving by the Council succeeding the Harbour Authority functions rather than a company limited by guarantee. As provided for in the Section 165 agreement, these VAT savings will be divided equally between the Assembly and the Council. The Council's share will be credited to the Savings Budget and spent on the functions, duties and area of the Harbour Authority in the same way as the fixed cost savings (see above).

### **Audit**

12. Under the financial memoranda, the grants paid to Cardiff County Council and the Vale of Glamorgan Council will be audited each year by auditors appointed by the Audit Commission. The normal deadline is 31 December after the end of the financial year to which the expenditure relates. The Vale of Glamorgan audit certificates for 2000-01 and 2001-02 were both submitted on time and were unqualified. However, no audit has yet been completed of the grants paid to Cardiff County Council since 1 April 2000. The appointed auditors have already undertaken some audit work, but did not complete it because the scope of their audit could not be finalised until the financial memoranda were signed. Now that this has happened, the relevant certification instructions (which set out the scope of the audits and the tests to be carried out) should be finalised with the Audit Commission and the work completed without delay so that the overdue audit certificates can be issued as soon as possible.

### **Monitoring by the Assembly**

13. It is clearly essential that the Assembly is able to monitor adequately the activities of the various successor bodies and co-ordinate action where this is required. My report concluded that the planned mechanisms were sound, but that there were delays in implementing them fully and some difficulties initially in resourcing the unit dealing with Cardiff County Council, the successor body that had inherited most of the responsibilities of the Cardiff Bay Development Corporation, and the Vale of Glamorgan Council.
14. I can now confirm that the branch within the Assembly Government that deals with Cardiff County Council and the Vale of Glamorgan Council is fully resourced to carry out its oversight role and has been since April 2002. Officials have a good working relationship with their counterparts in the Councils and receive detailed information on budgets, expenditure and general progress. Assembly Government officials hold regular liaison meetings with the Harbour Authority and monitor key environmental issues through quarterly meetings of the Environmental

Communication Forum, which brings together representatives from the Harbour Authority, Environment Agency and the Countryside Council for Wales.

### **Business plan and Regeneration Programme**

15. At a more strategic level, the Harbour Authority has reviewed its business plan and reported progress against a range of objectives and performance indicators. The Harbour Authority cabinet also approved its regeneration programme, *The Regeneration Schemes and Projects Report 2000-03*, and submitted it to the Assembly Government in November 2002. The programme outlines the projects that have been carried out in the first two years of the Authority's existence and its proposals for 2002-03. The Assembly Government has given retrospective approval for the 2000-01 and 2001-02 projects (all of which were started or planned by the former Cardiff Bay Development Corporation), but will withhold approval for the 2002-03 proposals until outstanding issues on the proposed regeneration schemes have been resolved. As a result, at least £1.9 million is expected to slip into 2003-04 or beyond.
16. The regeneration programme covers the £4.7 million of transitional funding provided by the Assembly to continue regeneration activity in the Bay in the first three years of the succession arrangements, and includes a list of other regeneration schemes and community projects that the Council is responsible for in its own right. In addition, Cardiff County Council plans to reinvest £9.9 million from fixed cost savings, VAT savings and other receipts to meet regeneration objectives. The Council is obliged to consult the Assembly Government on its spending proposals for this additional money, but does not require formal approval. The Council has issued outline proposals for the use of this funding that will be developed further in due course.

### **Review of future management arrangements**

17. Under the terms of the Section 165 agreement, the arrangements for the Harbour Authority shall be reviewed after five years when the Assembly Government and the County Council may agree alternative terms or either party may end the arrangements with 12 months notice (paragraph 3.2 of *Continuing the Regeneration of Cardiff Bay*). If no agreement is reached by 31 March 2006, or a longer period if both parties agree in writing, the current arrangements will continue in perpetuity. In its response to recommendation (iii) of the Audit Committee's report on the Cardiff Bay Barrage, the Assembly Government agreed that all options for managing the Barrage and the Bay would be considered at the end of the five-year period. The Assembly Government plans to start work on the review well before this date so that a full appraisal of the options can be undertaken.

### **Evaluation**

18. The Welsh Assembly Government accepted the Committee's recommendation in its report on *Securing the Future of Cardiff Bay* that a thorough evaluation of the regeneration of Cardiff Bay be undertaken, and proposed that this should take place in 2003-04 after the first three years of the succession arrangements had been completed.
19. Assembly Government officials have developed a draft specification for the evaluation, which will be undertaken by an independent external contractor. The main objective of the review would be to assess the progress made in achieving the regeneration targets / objectives set by the former CBDC in 1989, to be met when all developments were complete (expected to be in 2003). These cover private sector investment, permanent job creation, development of open space, provision of commercial / industrial floor space and residential housing.<sup>73</sup> The Assembly is currently consulting key stakeholders on the scope of the review and to what extent it is restricted to assessing progress against the regeneration targets. In reaching its decision, the Assembly should consider recent guidance on evaluation practice, including the recently revised *Green Book (Appraisal and Evaluation in Central Government)* issued by the Treasury, which provides guidance on evaluating the wider impact of programmes.

### **Financial position**

20. When the Cardiff Bay Development Corporation (CBDC) was wound up in March 2000, it was expected that the various succession bodies would need £99.8 million in the following five years to fulfil the responsibilities transferred to them by the Corporation. Of this, £22.5 million would be one-off capital expenditure (for example, to complete the Barrage and the Wetland Reserve) and £77.3 million would be needed for the ongoing running costs.
21. Annex A provides an update on the financial position, using actual figures for 2000-01 and 2001-02 and forecast figures for 2002-03. These costs are necessarily provisional at this stage and have not been subject to audit or detailed scrutiny.

### *Cardiff County Council*

22. Overall, the Council currently expects to underspend the original budget for the three year period by £13.0 million, of which £11.0 million relates to slippage. The main points to arise are:
- the Harbour Authority has made substantial savings on its fixed revenue cost budget – these are expected to total £5.8 million in the three years to 31 March 2003 from a total allocation of £24.8 million, and £8.4 million in the five years to 31 March 2005. These amounts will be retained by the Council and recycled into additional expenditure on Cardiff Bay;

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<sup>73</sup> Report by the Auditor General for Wales, *Securing the Future of Cardiff Bay*, presented to the National Assembly for Wales on 28 June 2001 (paragraph 10)

- the Harbour Authority has also saved substantial sums on the fixed cost capital budget, primarily because it has chosen a different system for aerating the Bay from that proposed by the Cardiff Bay Development Corporation. This is likely to result in a saving of some £2 million, or 24 per cent of the original budget, which will be retained by the Assembly Government;
  - information supplied by the Council indicates that expenditure will be within the £19.3 million cap for the facilities management functions that would have been undertaken by Thames Water plc (these costs are included in the fixed cost budgets). The Council agreed to stay within this limit for the first three years of the Harbour Authority's existence in order to guarantee a saving of £3 million for the Assembly Government over the Thames Water price. Actual performance will be verified by an external contractor after the period has ended. I will have sight of the external contractor's report;
  - there have been additional claims of £1.6 million for the completion of the Barrage, but these have been partly offset by forecast reductions for drainage and sewerage diversion works commitments. Other than this the cost has remained almost within budget. Current estimated expenditure stands at £219.3 million. However, uncertainties will remain about the final out-turn cost of the Barrage project until all contract claims have been settled or resolved through conciliation / arbitration / tribunal procedures; and the estimated £4.4 million recovery from Welsh Water materialises in 2004-05;
  - the Council will fully spend the Regeneration and Project Funds, but several projects have been delayed and £1.9m of expenditure will slip into 2003-04; and
  - the other projects inherited by the Harbour Authority have all been completed, but the total cost of £1.76 million is 23 per cent more than the original budget of £1.43 million. The increase is mainly due to increased costs on the Graving Docks Flood Protection and the Widowlands paving schemes, both projects inherited from the Cardiff Bay Development Corporation.
23. The Assembly expects to pay £72.2 million for the five years to 31 March 2005, compared with an original forecast of £72.8 million. The saving is due to expected underspends on fixed capital costs and variable cost budgets, which have been partly offset by additional claims totalling £2.5 million. The Section 165 agreement provides for indexation on fixed costs and an element for VAT savings, which will need to be paid in due course and could increase the five year figure. There is also a possibility of further additional claims, in respect of unforeseen costs.
24. In addition to the current forecast saving of £0.6m compared to the five year final account budget, the Harbour Authority expects to make £8.4 million savings on its fixed cost revenue budget and which will be reinvested in Cardiff Bay.

25. The Agency expects to spend some £4.1 million over the first three years of the succession period, about £1.1 million less than expected. This is due mainly to higher than expected receipts from overage agreements on residential developments, reflecting buoyant market conditions, and additional income from agreements with gas and electricity companies for the use of infrastructure funded by the Cardiff Bay Development Corporation. These gains have been partly offset by higher than expected expenditure on the Bute Avenue PFI scheme due to additional works and Compulsory Purchase Order costs. The cost of the Plymouth Park landfill site has also risen due to technical difficulties. Overall, the Agency considers that the original estimate of a £17 million net funding requirement is an accurate reflection of likely costs over the five year period.

*Vale of Glamorgan County Borough Council*

26. The Assembly's contribution to the cost of the Penarth Link walkway is capped at £7.5 million, but the Council has carried out a detailed feasibility study which supports a preferred scheme costing £13.5 million. The Assembly Government has requested the Council to identify sources of funding for the excess, and is keen that the Harbour Authority works with the Vale of Glamorgan on this project.

*Countryside Council for Wales*

27. The Countryside Council has spent £1.9 million on the completion of the Gwent Levels Wetland Reserve since the winding-up of the Cardiff Bay Development Corporation, and some further costs are expected in relation to legal cases, the connection of a third water supply for the Reserve and remedial works. The Council expects to exceed the £11.3 million revised budget because of higher than expected legal costs and compensation payments under Compulsory Purchase Orders, but this depends on the progress and outcome of ongoing legal cases. The Council remains confident that the Reserve is likely to meet the criteria for Special Protection Area status alongside the Severn estuary within the five-year target period.

**Conclusion**

28. My review confirms the findings of the report that I published last year, and I am satisfied that I would not have changed it significantly if I had previously had the access rights which I have exercised in recent months.

29. The Assembly Government has made progress in resolving the main issues that were outstanding at the time of the Audit Committee's hearing in May last year. The financial memoranda that the Assembly has just signed formalise the existing effective monitoring regime and agrees the timing

of grant payments and the allocation of savings. Cardiff County Council will receive grant as expenditure is incurred, and the Council's share of any savings arising from VAT and the fixed running cost budget will be reinvested to promote the further regeneration of Cardiff Bay. This should avoid any subsidy to the Council's general budget whilst providing an incentive for the Harbour Authority to maximise the efficiency of its operations in the Bay and to maximise income from other sources.

30. Assembly Government officials have an effective system for monitoring the day to day operations of the Council, based on regular reports and meetings between officials. The financial memoranda will formalise these arrangements. Now that the memoranda have been agreed, the Assembly's priorities are to ensure the completion of the overdue audits and to finalise the spending proposals for the regeneration funding. The planned review of the publicly-funded investment in Cardiff Bay should assist the Assembly and successor organisations to assess the effectiveness and value for money of expenditure to date, and to inform the development of future policy and strategy.
31. Current forecasts indicate that the cost to the Assembly of funding the Harbour Authority, the completion of the Barrage and the Council's regeneration activities will be about £0.6 million less than the initial estimate prepared by the Cardiff Bay Development Corporation. The Council also expects to reinvest at least £8 million of savings from its fixed revenue cost budget into further regeneration in the Bay.
32. Overall, I have no major concerns at present about the operation of the succession arrangements, subject to the satisfactory audit of the Harbour Authority's expenditure. The recently agreed financial memoranda should formalise the existing sound funding and monitoring regime. I will continue to monitor developments closely and report on them as appropriate to the Committee. In doing this, I intend to exercise my access rights to the Harbour Authority regularly.

I hope that this letter is helpful.

**JOHN BOURN**

**Assembly Government-financed expenditure on Cardiff Bay: net expenditure by the succession bodies on functions transferred to them by the Cardiff Bay Development Corporation**

*First three years of the succession arrangements (1 April 2000 to 31 March 2003):*

<b>Type of funding</b>	<b>Current forecast (£m)</b>	<b>Original forecast (CBDC) (£m)</b>	<b>Difference: £m overspend / (underspend)</b>	<b>Difference: % of original budget</b>
Cardiff County Council:				
Harbour Authority fixed revenue costs	16.5	24.8	(8.3)	(33.5)
Fixed cost savings reinvested	1.4	-	1.4	100.0
Harbour Authority fixed capital costs	4.3	8.2	(3.9)	(47.6)
<b>Total fixed costs</b>	<b>22.2</b>	<b>33.0</b>	<b>(10.8)</b>	<b>(32.7)</b>
Harbour Authority variable costs	4.6	6.1	(1.5)	(24.6)
<b><i>Total for ongoing functions of the Harbour Authority</i></b>	<b>26.8</b>	<b>39.1</b>	<b>(12.3)</b>	<b>(31.5)</b>
Barrage completion costs	14.3	13.5	0.8	5.9
Other projects:				
Regeneration and Project Funds	2.8	4.7	(1.9)	(40.4)
Completion of inherited projects	1.8	1.4	0.4	28.6
<b>Total for Cardiff County Council</b>	<b>45.7</b>	<b>58.7</b>	<b>(13.0)</b>	<b>(22.1)</b>
Welsh Development Agency	3.4	5.2	(1.8)	(34.6)
Vale of Glamorgan County Borough Council: completion of Penarth Link	0.8	2.5	(1.7)	(68.0)
Countryside Council for Wales: completion of Wetland Reserve	2.0	2.1	(0.1)	(4.8)
<b>TOTAL</b>	<b>51.9</b>	<b>68.5</b>	<b>(16.6)</b>	<b>(24.2)</b>

Note: original forecasts for budget lines within the Harbour Authority may differ from those previously published because of adjustments to reflect the provision in the Section 165 agreements and reclassifications of expenditure.

16/05/2002

Mr Howell Rees  
Clerk to the Audit Committee  
National Assembly for Wales  
Cardiff Bay  
CARDIFF  
CF99 1NA

Cynulliad Cenedlaethol Cymru  
National Assembly for Wales

Jon Shortridge  
Ysgrifennydd Parhaol  
Permanent Secretary

24 June 2002

*Dear Howell*

**Audit Committee Evidence Session: Thursday 16 May 2002  
"Continuing the Regeneration of Cardiff Bay"**

Further to the Committee's session on 16 May, I undertook to write with further information on a number of matters.

***Auditor General for Wales/National Audit Office direct access to information held by Cardiff Council.***

I attach, as promised, a copy of the exchange of correspondence between Assembly officials and officers of Cardiff County Council. I have commissioned advice from the Counsel General on "reasonable access" as set out in the Section 165 agreements and have had an initial discussion of the matter with Sir John Bourn.

***Funding or Financial Memoranda – Cardiff County Council/Harbour Authority.***

The two section 165 Agreements set out the basis of, and for, payments to the Council for Harbour Authority and other functions and liabilities. The purpose of the funding or financial memoranda – which have no legal standing – is to define and set out the detailed arrangements under which grant payments will be made to the Council. I share the Committee's concern about the delay in finalising the financial memorandum, but it has been necessary for the Council and the Assembly Government to resolve two issues. The first, relating to the drawing down by the Council of its fixed or quantified costs entitlement, has now been resolved in principle. The other issue is VAT treatment.

The principles relating to VAT were set out in two key documents – the Memorandum of Understanding between the then First Secretary and the Lord Mayor in October 1999 which said:

"The Council will retain VAT otherwise payable in respect of Harbour Authority income and expenditure as far as is possible within the law, and will apply such sums to the functions, duties and area of the



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Harbour Authority, subject to consultation with the Assembly on the proposed spending.

The Assembly will facilitate, as far as is possible within current statutory provisions, the maximisation of the recoverable VAT payable to the Council in these circumstances. Overall funding levels will take account of the VAT recovered by the Council to an extent to be determined when the level of VAT recoverable can be quantified."

The latter sentence is a key point.

The 'Harbour Authority' s165 Agreement contains various provisions for the payment of grant, including

- in respect of 'actual costs' which may include a sum for VAT in circumstances where it may not be recoverable by the Council;
- for the Council, annually, to notify the Assembly Government of the amount of VAT recovered; and
- for the identification of the amount of VAT savings accruing in consequence of the Council carrying out the functions that would have been undertaken pursuant to an invitation to tender.

The amount identified in relation to the last point is shared equally between the Council and the Assembly Government. The Council's share is reduced by the amount of the VAT actually recovered, and any balance is due to the Council by way of a grant payment. That amount, together with the amount of VAT recovered, is retained by the Council but must be spent in relation to the functions, duties and area of the Harbour Authority.

This is complex and has proved difficult to define in terms of the draft financial or funding memorandum for the Harbour Authority. Both the Council and the Assembly Government agreed that a clear understanding of how it works in practice was needed. In 2001 the Council, in conjunction with the Assembly Government, began a detailed analysis of the VAT situation – for 2000-01 this involves considering over 2000 invoices. Each transaction incorporating VAT has had to be identified, along with the VAT status in terms of the Council's position, and linked to the provisions of the s165 Agreement.

Considerable progress has been made, and we hope to conclude the process shortly. In the meantime, the Council has not made any claims for VAT incurred and, as a consequence, no grant has been paid by the Assembly Government in relation to VAT.

***Review of the Arrangement in the s165 Agreements***

In responding to a question from Mr Cairns [93] I believe I said that 'all the section 165 Agreements had provision for them to be reviewed within the initial 5 year period'. I now understand that that is not the case as it is only the s165 Agreement with Cardiff Council in relation to the Harbour Authority responsibilities that has such a provision.

All the s165 Agreements, have a clause to the effect that they will continue to apply as long as any terms, conditions or covenants contained in the Agreement remain to be performed. They all also have provisions to amend or vary (but not terminate) the Agreement.

The 'Harbour Authority' s165 Agreement is exceptional and contains a provision that the arrangements in the Agreement shall be reviewed after the initial period (5 years from 27 March 2000). The review has to be completed within one year or a longer period if both parties agree. Subject to the outcome of the review, both parties (acting reasonably) can agree to amend the arrangements in the Agreement (or any of them); or either party (acting reasonably and not vexatiously) can call for the Agreement to be terminated on the basis of 12 months notice.

#### ***Dredging Costs***

I would like to take this opportunity to clarify the answers I gave to questions [141] and [142] from Val Lloyd about the increase in dredging costs. I suggested that, in addition to market conditions, there was also some enhancement or enlargement of the contract specification to meet fuller requirements (including some necessity to redesign the saline sump), that contributed to the additional cost. I now understand that the basic tender specifications which were in two parts (the first to dredge to a sufficient depth to enable the statutory water quality standards to be met and the second to dredge deeper to facilitate greater water useage), these were planned by the former CBDC and issued by the Harbour Authority and were broadly similar. During dredging, some problems (unforeseen rock) were encountered in the saline sump area which required a different type of dredging operation to resolve. A dredging contract variation order was made and the Assembly approved an additional budget allocation. In the event, due to savings secured elsewhere in the contract, the additional budget allocation was not required. The increased dredging cost was principally the result of buoyancy in the dredging market at that time.

#### ***Bute Avenue PFI – completion of Compulsory Purchase Orders and Triggering of Overage Clauses***

The Compulsory Purchase Orders (CPOs) were all made in 1996 and opened to claims in 1998 i.e. those affected by the CPOs were able to lodge claims for compensation arising from the CPO. There are 11 possible claims remaining unsettled, which represent about 5 per cent of all claims. Of these, 8 are under negotiation, with some of these being substantial and currently above original estimates. There have not yet been any claims on the remaining 3 CPOs. The current best estimate of total cost is £2.25 million but this largely depends on the outcome of Land Tribunal decisions, which are anticipated in three or four of the cases. The Welsh Development Agency envisages that the programme should be complete in two years.

The overage on Residential Development is calculated against Base Figures set out in the PFI Agreement i.e. £13.683m for Beazer, and £11.493m for

Wimpey, (the aggregate anticipated sale prices at June 1999). These will be adjusted in line with the General Building Cost Index.

The Residential Overage relates to the amount by which the Gross Sale Proceeds exceed the adjusted Base Figure. 60 per cent of that will be due to the WDA (formerly CBDC). No overage is payable on Affordable Housing.

The overage provisions for the Commercial developments are more complex with different Base Figures for each of the main plots. The total Base Figure is £4,529m. The method of calculation is set out in the PFI agreement, which states that the overage due to CBDC (now WDA) varies between 60 per cent and 100 per cent.

To monitor the overage position for the residential development, the Agency has an appointed Project Professional to keep all records and terms of sales and advise the Agency accordingly. They provide monthly reports on the expenditure and progress of the commercial developments.

WDA consent is required before the disposal of any development sites by Citylink. There is a detailed procedure set out in the agreement regarding determining open-market value. Payment of overage will not be due until sites are sold, offices let etc.

***Reporting Lines and Relationships between Assembly Government and Environment Agency***

The Environment Agency is under a broad duty to provide the Assembly Government with all such information as it may reasonably require.

The Environment Agency has a range of responsibilities and statutory functions in relation to Cardiff Bay covering amongst other matters water quality, groundwater control, fisheries, and flood defence and protection. While in many cases there are no specific requirements for the Agency to report to the Assembly on the exercise of these individual functions and responsibilities, against the background of its general duty and the Assembly's wider policy and sponsorship responsibilities, there is frequent contact and reporting by the Agency to the Assembly Government and this includes matters relating to Cardiff Bay.

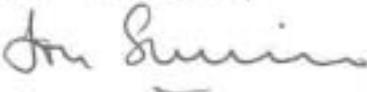
There are periodic meetings between officials of the Welsh Assembly Government and the Agency specifically related to Cardiff Bay. Welsh Assembly Government officials and those of the Agency also attend meetings of the 'Environmental Communications Forum' which are arranged by the Harbour Authority. Other contacts occur as and when specific matters arise.

More broadly, the Agency reports quarterly on progress across all its functions to the Assembly Government; quarterly meetings are held with officials and Ministers; and the Agency reports annually on its performance and plans to EPT Committee. The Agency also produces annual reports and corporate plans relating to its activities in Wales and, more widely, in relation to England and Wales as a whole.

On the basis of these contacts, the Agency is reporting no major or specific issues relating to Cardiff Bay which are of significant current concern. The Committee was advised of matters relating to the operation of the automatic sluice gates in which the Agency has interests and responsibilities. The Agency also advises the Assembly Government on water quality, and specifically on eutrophication aspects, in relation to the requirements of European Directives.

***Plymouth Park – increase in Running Costs***

Janet Davies [159] questioned the discrepancy between the figures of £163,000 quoted in paragraph 4.23 of the AGW Report and £169,000 quoted in the reply to a Written Assembly Question given on 16 May. Paragraph 4.23 of the Report gives the figure as "in the region of £163,000". This figure has now been refined to £169,000. At transfer, when the estimates of cost were made, the Park was to some extent an unquantified liability because of the environmental problems involved with the landfill and the work that would be required to contain and control it. The increase to site management costs arises from the original estimate being conservative and the need to undertake additional work to ensure that the site and the surrounding areas are properly vented for methane. The increase to landscaping costs is also due to a conservative original estimate, but the latest figure also includes the additional cost of putting in place an on-site leachate treatment plant. While these works will initially increase cost they will in subsequent years secure long term savings.

Yours sincerely  


**JON SHORTRIDGE**

## Annex D

### THE AUDIT COMMITTEE

The National Assembly's Audit Committee ensures that proper and thorough scrutiny is given to the Assembly's expenditure. In broad terms, its role is to examine the reports on the accounts of the Assembly and other public bodies prepared by the Auditor General for Wales; and to consider reports by the Auditor General for Wales on examinations into the economy, efficiency and effectiveness with which the Assembly has used its resources in discharging its functions. The responsibilities of the Audit Committee are set out in detail in Standing Order 12.

The membership of the Committee as appointed on 3 June 2003:

Janet Davies (Plaid Cymru) - Chair

Leighton Andrews (Labour)

Mick Bates (Liberal Democrat)

Alan Cairns (Conservative)

Jocelyn Davies (Plaid Cymru)

Christine Gwyther (Labour)

Denise Idris-Jones (Labour)

Mark Isherwood (Conservative)

Val Lloyd (Labour)

Carl Sargeant (Labour)

Further information about the Committee can be obtained from:

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