

## **AUDIT COMMITTEE REPORT 01-01: THE CARDIFF BAY BARRAGE**

### **THE CABINET OF THE NATIONAL ASSEMBLY'S RESPONSE TO THE RECOMMENDATIONS OF THE AUDIT COMMITTEE FOLLOWING THE PRESENTATION OF THEIR REPORT ON 15 FEBRUARY 2001**

The Cabinet of the Assembly is grateful for the report. We welcome the findings and offer the following response to the five main recommendations in the Report.

#### **Recommendation (i)**

**We recommend that the Assembly gives priority to commissioning an economic appraisal of developments in Cardiff Bay, including the impact of the Barrage and the freshwater lake, making use as appropriate of the earlier work undertaken by the Cardiff Bay Development Corporation.**

There have been a number of previous appraisals and evaluations:

- Economic Evaluation of the Barrage October 1987 KPMG
- Financial Appraisal of the Barrage project and possible methods of private funding November 1987
- Updated Economic Evaluation of Barrage Project May 1988 KPMG.
- Economic Evaluation of the Barrage July 1988 KPMG
- updated Economic Appraisal of the Barrage April 1989 KPMG
- Economic Appraisal January 1990 KPMG& others
- Updated Economic appraisal of the Cardiff Bay Barrage. October 1992 KPMG.
- Economic Appraisal October 1992 KPMG

Update by CBDC March 1999

The Cabinet has noted the view of the Economic Development Committee (EDC) that, since the construction of the barrage is now complete, it is doubtful whether a new economic appraisal could be justified. However, the Cabinet acknowledges the need to secure maximum benefit from the existence of the freshwater lake and proposes to consult the EDC and Cardiff County Council on the issue of an appraisal of the economic and other benefits. The National Audit Office is presently completing a review of the process of winding-up the Cardiff Bay Development Corporation and the successor body arrangements. We consider that it would be also appropriate to await that report and take account of its conclusions and recommendations

before taking a view on any proposed appraisal.

## **Recommendation (ii)**

**We endorse the lessons that have been drawn so far from the project to**

**construct the Barrage and create the freshwater lake and we recommend that the Assembly takes full account of them as it puts in place management arrangements for other projects that involve the investment of significant amounts of public money.**

We fully endorse this recommendation. By the end of this year, Assembly guidance on the management of major capital projects will be reviewed and amended.

## **Recommendation (iii)**

**As, in the light of experience, the Assembly develops its thinking on the**

**overall nature of the management arrangements which it has put in place for the Barrage and the Bay, we recommend that this area should remain a focus of attention within the Assembly's management structure. We also recommend that the Assembly should not rule out the possibility of opting at some point in the future for an alternative management model such as the possibility of managing the Bay as a Private Finance Initiative project.**

Officials, through regular meetings and liaison with Cardiff County Council/Cardiff Harbour Authority and the Environment Agency, will continue to monitor the performance of the Council and Harbour Authority in relation to their responsibilities for managing the Barrage and the Bay. When considering claims for grant or approval requests, assessing value for money will continue to be a priority.

The Agreement, pursuant to Section 165 of the Local Government Planning and Land Act 1980 (as amended) ('the Agreement'), made between Cardiff Bay Development Corporation and the County Council of the City and County of Cardiff on 27 March 2000, effectively transfers responsibility for managing the Barrage and the Bay to the Council. The former Corporation's obligations have now been taken on by the Assembly. Clause 7 of the Agreement provides for the arrangements to be reviewed after an 'initial period' (which is 5 years) and, if the parties agree, the arrangements may be amended or either party can call for the termination of the Agreement (giving 12 months notice). If the review is not completed within one year (or a longer period if both parties agree in writing) from the expiration of the initial (5 year) period, and if neither party has called for the termination of the Agreement, the

Council is the harbour authority for ever more.

At the review stage all options for managing the Barrage and the Bay, including private finance options, will be examined.

### **Recommendation (iv)**

**We recommend that the Assembly actively encourages Cardiff County**

**Council to develop soundly based initiatives for generating additional revenue from Cardiff Bay.**

In signing the Agreement, the Council covenanted to maximise income from activities in and around the Barrage and Inland Bay. The Agreement also provides for all income generated to be applied by the Council to the enhancement and regeneration of the Inland Bay and its immediate environs.

We will consider this aspect, in particular, when we consider the final Business Plan of the Cardiff Harbour Authority. We understand that the draft Business Plan includes a number of initiatives for generating additional revenue.

### **Recommendation (v)**

**In view of the scale and nature of the environmental obligations and potential liabilities associated with the construction of the Barrage and the creation of the freshwater lake, we recommend that Assembly officials continue to develop and operate effective risk management to keep to a minimum any unplanned or unforeseen demands on the public purse.**

Officials of the Assembly will continue to work closely with the Council, the Countryside Council for Wales and the Environment Agency to monitor risk areas, to identify at an early stage any potential problems. We will apply risk management to these areas as part of the Assembly's overall approach to developing a risk management strategy. Following issue of the Turnbull Report, we are committed to the development of this strategy by 31 March 2003 at the latest.

Dredging within the Bay, necessary to facilitate water quality and recreational use, has been completed ahead of schedule.