

Economic Development Committee EDC-04-01(P5)

Date: 7 March 2001

Venue: Committee Room 1, Cardiff Bay

Title: Audit Committee Report on the Cardiff Bay Barrage

Purpose

1. To draw members' attention to the conclusions of this report and to invite their comments on it. The report is available on the intranet at :

<http://assembly/committees/Audit%20Committee/Reports/Barrage%20Report%20-%20final%20version.pdf>.

Background

2. The report has been prepared by the Audit Committee and was presented to the National Assembly on 15 February. Cabinet has until 15 March to respond to it.

3. The report focuses on 3 main issues:

- the cost of constructing the Barrage and lake;
- bringing the barrage into operation and the succession arrangements following the wind-up of the Development Corporation; and
- the arrangements put in place by the Assembly to identify and manage consequential issues.

4. The overall conclusion in the report is that the construction of the Cardiff Bay Barrage has been a major project achieved against a background of significant political and public pressure. It notes that the Barrage has brought a high volume of inward investment and other development to South Cardiff but acknowledges that there may still be further impacts on the area which are far less predicable, such as the impact on residents and wildlife.

5. Members will note the references (para 24) to EDC considering the Memorandum of

Understanding between the Assembly and the Cardiff County Council which covered the operation, maintenance and management of the Bay and the Barrage.

Recommendations

6. The Audit Committee makes 5 main recommendations which are set out in paragraph 49 of its report;

(i) We recommend that the Assembly give priority to commissioning an economic appraisal of developments in Cardiff Bay, including the impact of the Barrage and the freshwater lake, making use of the earlier work undertaken by the Cardiff Bay development Corporation.

(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.

(iii) As, in the light of experience, the Assembly develops its thinking on the overall nature of the management arrangements which it has 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.

(iv) We recommend that the Assembly actively encourages Cardiff County Council to develop soundly based initiatives for generating additional revenue from Cardiff Bay.

(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.

Comment

10. Much of the report is concerned with the management of the project both in the construction phase and subsequently and environmental issues. The conclusions are generally positive although it notes that the project brings with it a long-term management commitment if it is to remain successful and avoid potential liabilities.

11. From an economic perspective the key conclusions are the recommendations:

- that the Assembly commissions an economic appraisal of developments in Cardiff Bay. This reflects EDC's own concerns in the Business Review about the lack of soundly-based data on which to make economic judgements;
- that the management arrangements should remain a focus of attention within the Assembly's management structure – including the possibility of alternative arrangements such as a Private Finance Initiative project.
- that the Assembly actively encourages Cardiff County Council to develop initiatives to generate additional revenue from Cardiff Bay. The report also comments on the need to capitalise in this investment and to minimise the net cost of running the Bay. It places the onus for doing this on Cardiff County Council.

Action

12. Members are invited to discuss the conclusions we should draw from the report and whether the Committee should write to the Economic Development Minister expressing their views. Particular issues to consider are:

- the recommendation for an economic appraisal;
- the longer term management arrangements for the Barrage and the Bay;
- the suggestion that a Private Finance Initiative project might be considered in the future;
- the importance of Cardiff County developing revenue generating initiatives.

13. Members might also wish to discuss whether there are any issues arising from the report that need to be considered in the forthcoming discussion with the Harbour Authority about their business plan.

28 February 2001 Committee Secretariat