

Date: 28 November 2001
Time: 14.00 - 17.30
Venue: Committee Room 1, National Assembly Building, Cardiff Bay
Title: Cardiff County Council/Harbour Authority Funding 2000-01 and Other Outstanding Information

Purpose

1. To inform EDC of the latest position on out-turn expenditure by Cardiff County Council ("the Council") in 2000-01 and to provide further information on outstanding issues, as requested by the Committee Secretariat.

Recommendations

2. That EDC notes:
 - the current 2000-01 expenditure position and the present summary forecast over the 5-year period;
 - that further information on these will be provided once the final outturn position has been agreed – but, on current information, the overall expenditure remains close to the CBDC final account 5-year forecast; and
 - the further advice on outstanding issues.

Background

1. As part of the wind-up of Cardiff Bay Development Corporation (CBDC), Memoranda of Understanding (MOUs) were signed on 1 April 1999 and on 18 October 1999 with the Council. These were formalised in two section 165 Agreements (see also compliance below).
2. The '**Harbour Authority s165 Agreement**' relates, primarily, to the assumption by the Council of the statutory functions and duties under the 1993 Barrage Act, including what is referred to as 'the undertaking'. Under the Agreement, the Assembly is obliged to provide funds to the Council to cover costs incurred in carrying out the undertaking and certain other functions— provided they were not unreasonably or improperly incurred. The Agreement also covers the funding of a number of uncompleted CBDC contracts which the Council agreed to take on.
3. The '**non-development assets s165 Agreement**' covers the arrangements for funding any actual costs arising from the transfer of those assets and liabilities, completion of unfinished projects and the payment of the Regeneration and Project Funds; these

include (but without limitation) enhanced Barrage landscaping, Cardiff Yacht Club access road, the laying out and development of Hamadryad Park and the Butetown Concierge Scheme.

Funding

4. In March 2000, CBDC, with the approval of the Assembly, determined the estimated net funding requirement for the Council for 2000-01 and the following 4 years. This was based on the then current CBDC estimates. The first column of the table at Annex 1 sets out the relevant information.
5. The budgets were calculated using estimates of known or quantifiable costs. They included an assumption about the level of slippage. They did not include any specific provision for VAT (see below) nor any provision for additional expenditure arising out of additional claims and/or unforeseen expenditure.
6. In June 2000, CBDC's final outturn estimates were produced. These are reflected in the second column of Annex 1.
7. In recent months, as final expenditure details for 2000-01 have been emerging from the Council, we have been discussing the likely final outturn position with the Council. We are almost there, but some points of detail, including reconciliation against the CBDC final account forecasts, need to be agreed. The third column of Annex 1 sets out the provisional outturn figures.

Explanation of variances (fourth column of Annex 1)

8. **A: Harbour Authority** - includes:

- £1.142m vired from Harbour Authority fixed costs to the Barrage Project - dredging line to cover a substantial amount of the increased cost of dredging; and
- slippage in purchase of vessel(s) (Variable Costs budget/line).
- savings in relation to routine water quality works/budgets (eg maintenance dredging and oxygenation) as a result of a review of the main dredging and oxygenation equipment/installation contracts (Variable Costs budget/line).

1. **B: Barrage Project** - includes:

- Postponement of payment of contract retention monies (nearly £1.5m slipped to 2001-02);
- Drainage claims not settled (est/prov £1.133m) and other drainage issues (£0.814) (Barrage Project – Other line);
- Later start of the landscaping contract resulted in slippage of some £0.652m;
- Savings on provision for scouring protection etc; and
- Increased cost of dredging.

1. **C: MOU and other projects** - includes:

- Delays in starting some projects resulted in underspends, but these were more than offset by delayed receipts and increased spend on some projects.

1. Once the outturn for 2000-01 is finalised, the detailed profiles for 2001-02 to 2004-05 can be revised. With the caveat that there will be changes as a result of the finalised 2000-01 position, VAT, and the final settlement of additional claims, EDC Members may wish to note the current summary draft profile at Annex 2.

VAT

2. VAT had *not* been included in budget profiles because it could not be quantified until a Harbour Authority Business Plan had been prepared and the Council had reached agreement with Customs and Excise. The amount of VAT likely to be fundable by the Assembly was assumed to be containable within the margins of error in CBDC's future funding forecasts.
3. EDC members should note that resolution of the VAT issue is a complex exercise and discussions are continuing. The VAT costs incurred in 2000-01 and 2001-02 should be containable within the current year's budget provision.

Maintenance of Cardiff Bay

4. 'Maintenance' of Cardiff Bay is open to various interpretations. In his written report to EDC on 31 October, the Minister provided information on the cost of maintaining water quality: Cardiff Council estimated that, in addition to the capital costs incurred between 1 April to end August 2001 (totalling some £3.451m in relation to oxygenation and algae/litter collection equipment), their annual budget (including staff costs) for water quality operations is just over £1.5m. This includes water quality monitoring, algae, oxygenation, litter collection, nuisance plants and pest control.
5. Water quality comes within the wider definition of those services which would have been provided under the facilities management contract. The 'Harbour Authority' s165 Agreement places a cost cap on these and other related Barrage and Bay Management services of just over £19.3m over the initial 3-year period.

Harbour Authority Business Plan

6. A clear date for receipt of the Business Plan from the Harbour Authority is still awaited.

Audit Committee

7. The NAO is currently reviewing the effectiveness of the CBDC wind-up process and the performance of the successor bodies. The NAO completed the review of the wind-up process and reported in June 2001. The second stage of the NAO review, including the analysis of the financial position in 2000-01, is on-going.

Compliance

8. Two Agreements made between Cardiff Bay Development Corporation and The County Council of the City and County of Cardiff Pursuant to Section 165 of the Local Government Planning and Land Act 1980 (as amended) on 27 March 2000 [*known as the "Harbour Authority s165 Agreement" and the "Non-development assets s165 Agreement"*];
9. Cardiff Bay Development Corporation (Transfer of Property, Rights, Liabilities and Obligations) Order 2000 [*this transferred from CBDC to relevant successor bodies the appropriate property, rights, liabilities and obligations related to the undertaken transferred to those bodies by the s165 Agreements*];
10. Cardiff Bay Development Corporation (Transfer of Property, Rights and Liabilities) (National Assembly for Wales) Order 2000 [*this transferred to the Assembly any rights and liabilities arising under the s165 Agreements and which were vested in CBDC*]; and
11. Delegated to the Economic Development portfolio.

Cross-cutting themes

12. None

Action for Economic Development Committee

13. To note contents of this paper and to note that further details on expenditure will be provided once the accounts for 2000-01 are finalised.

Contact Point

Economic Policy Division, Branch 2

Annex 1

CARDIFF COUNTY COUNCIL ANNUAL BUDGET PROFILE 2000-01

£m

Est Provision March 2000	CBDC Final Est June 2000	Current Est Actual Spend	Variance between actual and CBDC Final
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A: Harbour Authority				
Fixed costs	8.182	8.182	7.040	-1.142
Variable costs	2.460	2.460	1.091	-1.369
<i>Receipts</i>			-0.006	-0.006
A: Total	10.642	10.642	8.125	-2.517
B: Barrage Project				
Construction contract	1.734	1.807	0.253	-1.554
Dredging	2.497	2.497	5.013	+2.516
Property surveys	0.052	0.050	0.018	-0.032
<i>Property Surveys Receipts</i>			-0.118	-0.118
Landscaping	0.890	0.890	0.238	-0.652
Scouring Protection etc	1.135	1.153	0.012	-1.141
Other	4.598	4.240	1.612	-2.628
B: Total	10.906	10.637	7.028	-3.609
C: MOU and Other Projects				
MOU :				
Projects	4.575	4.575	4.575	=
Regeneration	2.350	2.350	2.350	=
<i>ERDF Receipt</i>			0.000	=
Ferry Road Land purchase	-5.950	-5.950	-5.429	+0.521
Other Projects:				
Enhanced Dredging	1.455	1.455	1.455	=
Oval Basin	0.538	0.539	0.470	-0.069
Harry Ramsden	0.125	0.125	0.118	-0.007
Widowlands	1.209	1.209	1.121	-0.088
Graving Dock	0.178	0.173	0.329	+0.156
Grangemoor Park	0.005	0.005	0.012	+0.007
Ferry Road	0.297	0.297	0.042	-0.255
Hamadryad Waste M/Lic		0.007	0.000	+0.007
<i>Countryside Properties: site services</i>	0.000	0.000	0.000	=
<i>Countryside Properties: Legal</i>	0.000	0.000	0.000	=
<i>Countryside Properties: Receipts</i>	See receipts	See receipts	0.000	=
	below	below		
Ground water monitoring	0.403	0.328	0.194	-0.134
Bird/Fish Monitoring	0.250	0.250	0.236	-0.014
Pumping Station & Misc	0.194	0.237	0.126	-0.111
Receipts:	-1.010	-1.010	0.000	+1.010
C:Total	4.619	4.590	5.599	+1.009
D: VAT Total	0.000	0.000	n/k	=
E: Value of Additional Claims agreed and/or under consideration	0.000	0.000	1.132	+1.132
Budget Summary				
A: Harbour Authority	10.642	10.642	8.125	-2.517
B: Barrage Project	10.906	10.637	7.028	-3.609
C: MOU and Other Projects	4.619	4.590	5.599	+1.009
D: VAT	0.000	0.000	N/K	=
E: Value of additional claims agreed and/or under consideration	0.000	0.000	1.132	+1.132
Total	26.167	25.869	21.884	-3.985
Programme Slippage (net)	-4.750	-4.750		
Total (Net) Budget Profile	21.417	21.119	21.884	+0.765

Annex 2

CARDIFF CC FIVE YEAR EXPENDITURE PROFILE SUMMARY as @ 15 November 2001

Heading	2000-01 Actual Spend	2001-02	2002-03	2003-04	2004-05	Five year Forecast
A: Harbour Authority	8.125	13.727	8.976	8.976	8.976	48.780
B: Barrage Project *	7.028	7.237	1.512	0.000	-4.347	11.429
C: MOU and Other Projects	5.599	2.198	2.568	0.838	0.861	12.064
D. VAT	0.000	0.000	0.000	0.000	0.000	0.000
E. Additional Claims	1.132	0.632	0.040	0.000	0.000	1.804
Total	21.884	23.794	13.096	9.814	5.490	74.078
Programme Slippage (net)		-5.000	1.500	2.000	1.500	0.000
Proposed Revised Budget Profile	21.884	18.794	14.596	11.814	6.990	74.078
<i>CCC Original Budget Profile*:</i>	21.417	17.048	15.036	13.847	5.830	73.178
CBDC Final Account expectation*:	21.119	17.087	15.001	13.809	5.790	72.805
<i>* NB. After deducting allowance for slippage</i>						
<u>Difference from CBDC expectation:</u>	<u>0.765</u>	1.707	-0.405	-1.995	1.200	1.273