

## Agenda – Public Accounts Committee

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Meeting Venue:

Committee Room 3 – Senedd

Meeting date: 3 June 2019

Meeting time: 13.30

For further information contact:

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Committee Clerk

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### (Private Pre-meeting)

(13.30 – 13.45)

### 1 Introductions, apologies, substitutions and declarations of interest

(13.45)

### 2 Paper(s) to note

(13.45–13.50)

#### 2.1 Financial Management and Governance in Community Councils:

Correspondence from the Welsh Government (9 May 2019)

(Pages 1 – 19)

### 3 Cardiff Airport: Evidence Session with Cardiff Airport

(13.50 – 15.20)

(Pages 20 – 58)

Research Briefing

PAC(5)–14–19 P1 – Cardiff Airport

Roger Lewis – Chairman, Cardiff Airport

Deb Barber – Chief Executive Officer, Cardiff Airport

Huw Lewis – Finance Director and Company Secretary

### 4 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

(15.20)

Item 5



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

## **5 Cardiff Airport: Consideration of evidence received**

(15.20 – 15.50)



Llywodraeth Cymru  
Welsh Government

## Tracey Burke

Cyfarwyddwr Cyffredinol / Director General

Y Grŵp Addysg a Gwasanaethau Cyhoeddus  
Education and Public Services Group

Ref:

Nick Ramsay AM  
Chair of the Public Accounts Committee  
National Assembly for Wales

9 May 2019

Dear Mr Ramsay

### Town and Community Councils

Thank you for your letter of 9 April seeking a response from the Welsh Government to the Independent Review Panel findings, and the two reports produced by the Auditor General; to establish what action is being taken, and what support is being provided in this area.

I share the Auditor General's concerns, both regarding the continuing high number of community councils that have received qualified audit opinions; and about internal audit arrangements at community and town councils in Wales. Indeed, I wrote to the Auditor General on 16 January expressing my concern at the standard of financial management and governance outlined in his reports.

Although community and town councils are independently accountable, ultimately to their electorate for their actions, Welsh Government has a clear interest in supporting the improvement of the financial management and governance of the sector.

I set out below my response to your three areas of interest.



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## 1) Welsh Government's response to the findings of the of Independent Review Panel on Community and Town Councils in Wales

The Welsh Government was very appreciative of the time and consideration the Panel gave to the Review and for their thoughtful report on Community and Town Councils in Wales. The report sets out a comprehensive analysis of the sector, which offers valuable insight for the Welsh Government and for those working within the sector.

It has informed the Welsh Government's policy approach for the community and town council sector, set out in the Written Statement by the Cabinet Secretary for Local Government, issued on 30 November 2018 (**Annex 1**).

The emphasis is on encouraging and enabling the sector to develop, providing an element of choice for community and town councils to decide how far and how quickly they progress, particularly in terms of their role in commissioning and delivering services. This provides a clear, national statement of ambition which recognises the diversity of the sector and the communities they serve.

We believe the approach is considered, proportionate and measured. It responds to the calls in the Independent Panel Review report for greater clarity for the sector; provides an opportunity for councils to strengthen, through building their capacity and capability; and puts in place processes to increase accountability and increase participation.

We have set out a number of actions we are committed to take over the remainder of this Assembly term to create this enabling environment. The table at **Annex 2** contains these actions, which are divided into "immediate actions" and those requiring "further consideration".

Areas where immediate action can be taken are largely practical steps which are not particularly complex or controversial, that can be taken without requiring significant additional resource either from the Welsh Government or stakeholders. These actions will be largely taken forward in 2019-20. Some of them were commissioned ahead of the start of the 2019-20 financial year - such as the work to improve access to training for the 8,000 community and town councillors in Wales by producing a series of on-line, introductory core training modules.

Areas identified for further consideration are those which we believe have merit in principle, but require further thought. They are broadly issues which are more complex and more work is needed before a decision on whether, or how to proceed can be taken. For example, whether a clearer distinction between what community



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councils are responsible for and what principal councils are responsible for would help clarify the role of the sector. The intention is to explore all of them before the end of this Assembly term, engaging with the sector and other stakeholders as we work through each area.

I set out in more detail what actions are being taken to support governance, financial management and accountability in the sector below.

## **2) The Welsh Government's response to the two WAO reports on Financial Management and Governance – Town and Community Councils 2017-18; and Internal Audit Arrangements at Town and Community Councils in Wales.**

As I mentioned above, I wrote to the Auditor General in January to note the publication of the most recent assessment of the financial management and governance of the town and community councils across Wales, and to express concern to see that the current standard of financial management and governance remains disappointing at too many community and town councils.

It is the responsibility of every council to carry out its statutory duties and to follow proper practices to account for the public money entrusted to them. The Welsh Government would expect all councils to have robust financial management and internal control arrangements in place and to comply with their statutory requirements. Robust internal audit arrangements are a key part of this.

The 2017-18 audit is the midway point of the current arrangements, therefore, it is appropriate to take stock of the progress made by the sector and to consider if the current audit arrangements are fit for purpose.

I have confirmed support for the Auditor General's plan to review the current audit arrangements to determine if they remain fit for purpose with an intention to consult on the outcome of the review and any changes to the audit arrangements in late 2019. I understand that the Auditor General will update us on the outcome of this review in due course, and that any changes to the audit arrangements arising from the review are expected to be implemented for the 2020-21 audit.



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### **3) Actions being taken by the Welsh Government to support governance, financial management and accountability in the sector**

#### *Supporting Governance*

The prime responsibility of ensuring sound governance sits with community councils themselves. Our support is focused on ensuring that councillors, and the staff that support them, are equipped to play their role effectively with the aim of preventing issues of poor governance arising.

One Voice Wales (OVW), recognised by the Welsh Government as the sector's representative body, delivers a range of training modules for councillors, including modules in, for example, 'Local Government Finance', at both introduction and advanced levels; 'Understanding the Law'; and 'The Councillor'.

We provide a councillor bursary scheme, targeting smaller councils with a budget turnover of £40,000 or less, to encourage and enable them to benefit from these training opportunities. The scheme is promoted and managed by OVW.

In addition to this, we are exploring the potential for online training for councillors. Introductory e-learning modules have been prepared for councillor training in the following areas:

- Induction
- Code of conduct
- Being an employer
- Diversity and inclusion
- Health and Safety.
- Introduction to finance
- Introduction to understanding the law

The e-learning modules will be made available, free of charge, through the OVW website to all councillors, regardless of whether their council is in OVW membership. The modules will sit alongside other forms of training and the content will complement rather than duplicate these other forms. They are scheduled to be available from June 2019.

During this Assembly term we have also committed to considering whether and how core training for councillors should be made mandatory.



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We agree with the Independent Review Panel that community and town councils need to be professionally supported through qualified and independent staff. The clerk's role is key in providing advice to councils and, therefore, pivotal in driving improvements in governance, financial management and accountability arrangements. Supporting councils to access appropriate training for clerks should improve a council's capability to manage itself well.

In recognition of this, we are committed to continuing to provide, and expand the training bursary scheme for clerks which enables them to undertake a sector-specific qualification the Certificate in Local Council Administration (CiLCA). The threshold for councils eligible for support has been increased this year from those councils with a budgeted turnover of less than £40k to include those with a budgeted turnover of less than £100k, recognising that medium-sized councils may be better placed to take up the bursary offer as they are likely to be delivering a greater range of services for the community; with clerks working more hours than the very small councils.

We are also placing an emphasis on the importance of having a suitably qualified clerk – for example, having a qualified clerk will be proposed in the Local Government and Elections (Wales) Bill as one of the three criteria for a council to be able to resolve itself as eligible to exercise the General Power of Competence (GPOC). It is likely that CiLCA will be prescribed as the relevant qualification for a “qualified clerk” for GPOC, although this would be subject to the outcome of the consultation on the regulations.

We will be considering whether having a qualified clerk is something that should move from being encouraged to being required. This is one of the areas we will be exploring further during this Assembly term.

We have also committed to exploring other ways to build the capacity and capability of clerks to support the sector. This includes consideration of establishing a “network” of community council clerks in Wales; and considering how desirable, and possible, it is to change how clerks are employed (looking specifically at councils which only require a part-time clerk).

We agree with the Committee that the provision of appropriate support and advice is key to improving governance, financial management and accountability within the sector. During this Assembly term, we will be giving further consideration to options for providing access to expert advice and support, alongside developing an appropriate support and intervention framework service or corporate failure.



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### *Improving financial management*

The audit regime for community and town councils is a matter for the Auditor General, but the Welsh Government has a clear interest in supporting the improvement of the financial management of the sector.

A Welsh Government official sits on the Local Councils Audit Liaison Group, which includes the Wales Audit Office (WAO) and auditors, as well as the representative bodies OVW and SLCC. This Group discusses common issues identified through the audit process and the ways in which councils can be supported to address these issues.

We also form part of a National Training Advisory Group with the representative bodies to collectively identify and address areas where training and development support is needed.

I recognise there is more work to be done and we have committed to continuing to work with WAO on what further support could be provided to smaller community councils to help them fulfil audit requirements.

### *Improving the Accountability of the Sector*

Community and town councils raise and spend public money. It is vital that they are accountable for their actions. The primary vehicle for this is democratic accountability. The Welsh Government will be undertaking work in this Assembly term to encourage participation in, and increase the diversity of, this most local tier of democracy.

There is a significant need to raise the visibility of community and town councils, and to increase their engagement with their communities so that their work is transparent.

The intention is to place a duty on all community and town councils to prepare an annual report through the Local Government and Elections Bill. This will include an expectation that councils set out how they have engaged, and intend to engage, their communities.

We have also started work to build an understanding of how community and town councils use social media and other digital mechanisms to engage their communities about the work of the council, and share examples of good practice with the sector.



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We have committed to giving further consideration to introducing a duty on community and town councils to hold at least one public meeting per year. This requirement is in place in England and part of our consideration will be to assess the impact this duty has had on improving engagement and accountability locally.

We have established links with both bodies providing external assurance mechanisms for the sector. We have established working relationships with the WAO, and are actively engaged with them in their review of the audit regime. We also have established links with the office of the Public Services Ombudsman for Wales (PSOW). The PSOW has an independent role and considers complaints of maladministration by councils and alleged breaches of the code of conduct. We have recently facilitated engagement between them and the sector's representative bodies to discuss how code of conduct issues are handled.

It is important that these actions are taken forward in a concerted way, as a part of a joined up approach, rather than in isolation. The Minister for Housing and Local Government has asked officials to bring this work together into a "governance framework" which ensures community councils are professionally supported, professionally run, with a structured approach to support and guidance and with mechanisms to intervene formally should there be service or corporate failure.

This framework will take account of the actions outlined above as well as looking at other ways to strengthen arrangements and support good governance.

Initial advice on the framework will be considered by the Minister over the summer, before engaging more widely.

I would be happy to provide more information or clarification on any of the above, should this be helpful to the Committee.

Yours sincerely



Tracey Burke

Cyfarwyddwr Cyffredinol, Grŵp Addysg a Gwasanaethau Cyhoeddus/ Director  
General, Education Public Services  
Llywodraeth Cymru/ Welsh Government



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## Written Statement: Future Role of the Community and Town Council Sector in Wales (Issued 30 November 2018)

A Review of the Community and Town Council Sector was established in July 2017 by the Welsh Government to consider how community and town councils can be strengthened so they are best able to support their communities. The independent cross-party Review Panel included representation from Labour, Plaid Cymru, the Welsh Conservative and Welsh Liberal Democrats and was jointly chaired by Gwenda Thomas and Rhodri Glyn Thomas.

The Panel spent around a year gathering evidence and listening to views of a range of stakeholders. They submitted their final report to me on 3 October. I am grateful to them for the time and consideration they have given to the Review and for their report on Community and Town Councils in Wales. It has provided a good basis on which to move forward and has informed the policy approach I am setting out today. I have read and considered the Panel's report and I believe their analysis of the sector and the opportunities and challenges it faces is sound. They make the case for both retaining the community and town council sector and for significantly enhancing the contribution it makes.

I agree with the direction of travel set out in the report which calls for an expanded role for the sector. After careful consideration and discussion at Cabinet, I believe an enabling approach is the right way to deliver this expanded role – strengthening community councils, and encouraging change to happen naturally by creating an environment for community and town councils to expand their activities where they could, and should, play a greater role, based on local need.

The emphasis should be on encouraging and enabling the sector to develop; providing an element of choice for community and town councils to decide how far and how quickly they progress, particularly in terms of their role in commissioning and delivering services. This provides a clear, national statement of ambition which recognises the diversity of the sector and the communities they serve.

There are key actions we can take now to strengthen community councils and support them through changes they may wish to make. Where there is broad agreement – and where we are building on what is already happening – there is no need to delay. For example, the Local Government and Elections (Wales) Bill, which I intend to introduce early next year, will provide additional powers and flexibilities for community councils by enabling those which meet certain conditions to exercise the General Power of Competence.



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I intend to increase the accountability and transparency of the sector by encouraging better use of digital tools to engage communities and, through the Local Government and Elections (Wales) Bill, ensuring people have the right to make representations on any business conducted at a council meeting. I also intend to require, through legislation, community and town councils to report annually. I believe this will increase visibility of their work, improve local accountability and lead to better engagement with and interest from, local communities in the work of community councils.

Strengthening the capability of the sector will continue to be a priority and I will be supporting through continuing to make bursaries available to both councillors and their staff to undertake training. In addition, the Local Government and Elections (Wales) Bill will place an obligation on community councils to consider and plan for their training needs and review this plan regularly.

Some of the issues identified by the Review Panel merit further consideration and consultation on how to proceed. For example, further consideration is required as to whether a clearer distinction between what communities councils are responsible for and what principal councils are responsible for would help clarify the role of the sector; and whether additional, proportionate, intervention and support arrangements should be put in place.

I also want to facilitate a conversation between community and town councils and local authorities about how services are funded and sustained – recognising that this is a key determinate of community councils' capacity to play an expanded role.

I look forward to exploring these wider ranging and, in some cases, more contested ideas with local government and wider stakeholders.

I see this as a start of a conversation about how an expanded role for community councils can be achieved - with community councils, principal councils and others that work with communities.

In setting out Welsh Government policy it should also be remembered that the findings of the Review Panel are not only for Government to reflect on but for all partners in local government to consider and respond to, including community councils, principal councils and their representative bodies; taking responsibility for the role each of us play in improving local communities.

I believe the policy approach I have outlined is considered, proportionate and measured and forms the starting point of a conversation with the sector itself and



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those it works with. It responds to the calls in the report for greater clarity for the sector; provides opportunity for councils to strengthen through building their capacity and capability; and puts in place processes to increase accountability and increase participation.



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## Community and Town Councils - Welsh Government Areas for Action

Theme	Immediate Action	Further Consideration
<b>Clarifying the role of the sector</b>	<ul style="list-style-type: none"> <li>• Undertake a campaign to: <ul style="list-style-type: none"> <li>○ confirm important role of sector;</li> <li>○ raise awareness of the work of community council (including in areas which don't have them);</li> </ul> </li> <li>• Encourage community councils to reflect on what is required locally, in terms of the kinds of services they could deliver.</li> <li>• Raise awareness of the benefits of establishing new community and town councils.</li> </ul>	<ul style="list-style-type: none"> <li>• Alongside raising awareness of the benefits of establishing new community councils, explore other models which could provide a focus for communities in urban areas.</li> <li>• Consider further the usefulness of a 'place based services' distinction, the appetite for change and the pace that it could be sustained</li> <li>• Consider consulting on the merits of retaining 'dual hatted' councillors.</li> </ul>
<b>Increasing democracy and participation</b>  Pack Page 11	<ul style="list-style-type: none"> <li>• Use existing powers to ensure Community Reviews are conducted on a regular basis.</li> <li>• Establish better understanding of use of social media by community and town councils to engage their community; and facilitate sharing of good practice.</li> <li>• Undertake a campaign to encourage more people to stand for election.</li> </ul>	<ul style="list-style-type: none"> <li>• Consider and potentially consult on the need for a comprehensive review of community council boundaries, recognising any action in future would require a different legislative vehicle</li> <li>• Consider whether to ensure that elections should be held regardless of whether seats are contested - balancing stimulating the democratic process with cost.</li> <li>• Explore what more can be done to promote diversity amongst councillors.</li> <li>• Allow the lower minimum voting age of 16 years to embed (if it goes ahead) before considering whether to lower the minimum age to stand as a community council candidate to 16 years.</li> <li>• Consider how local engagement and public participation has been affected in England following the introduction of the duty on Parish Councils to hold at least one public meeting per year.</li> </ul>
<b>Building</b>	<ul style="list-style-type: none"> <li>• Provide access to the general power of competence to eligible community</li> </ul>	<ul style="list-style-type: none"> <li>• Explore how community councils could be encouraged to consider</li> </ul>



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<b>capacity</b>	<p>councils (through the Local Government and Elections Bill).</p> <ul style="list-style-type: none"> <li>• Call on community councils to prepare for the introduction of GPoC by working towards the satisfying the three eligibility criteria.</li> <li>• Support the establishment of joint delivery arrangements</li> <li>• Provide guidance, and share good practice, on different delivery models.</li> <li>• Raise awareness of existing sources of funding.</li> </ul>	<p>moving to / expanding service delivery.</p> <ul style="list-style-type: none"> <li>• Explore widening access to new sources of funding for community and town councils, for example eligibility for grants and (through the general power of competence) the power to trade.</li> <li>• Facilitate a conversation within local government about how services are funded and sustained</li> <li>• Explore scope for sharing back office functions.</li> </ul>
<b>Building capability</b>	<ul style="list-style-type: none"> <li>• Identify core training for councillors and consider the practicalities of introducing a core package of training.</li> <li>• Continue to provide a bursary scheme for councillors and clerks to undertake training.</li> <li>• Encourage an increase in the number of qualified clerk - as a condition for exercise of GPoC, and through support to undertake training.</li> </ul>	<ul style="list-style-type: none"> <li>• Explore the establishment of a “network” of community council clerks in Wales</li> <li>• Consider how desirable, and possible, it is to go towards appointing clerks from a national list (including workforce implications)</li> <li>• Consider options for provision of expert advice and support for the sector, within the context of the wider work supporting improvement in local government</li> <li>• Consider whether, and how, core training for councillors should be made mandatory</li> <li>• Explore with WAO what further support could be provided to smaller community councils to help them fulfil audit requirements.</li> </ul>
<b>Improving relationships</b>	<ul style="list-style-type: none"> <li>• Facilitate work to strengthen key relationships between community councils and principal councils.</li> <li>• Add a representative from community and town councils in the area to the list of required ‘invited participants’ on Public Services Boards</li> </ul>	<ul style="list-style-type: none"> <li>• Explore what else can be done to facilitate relationship building between both tiers of local government and consider whether there is a need to make structures mandatory</li> <li>• Explore support for councillor and employee relationships, when things go wrong</li> <li>• Consider how the Code of conduct and grievance procedures could be strengthened to address poor behaviour by councillors.</li> </ul>



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<b>Improving accountability</b>	<ul style="list-style-type: none"> <li>• Require community and town councils to publish an annual report</li> <li>• Continue to encourage community councils to follow a cycle of “engage, plan, undertake and report”.</li> <li>• Explore how digital mechanisms to engage, meet and share information are used, and could be used more extensively, by the sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Consider the case for legislating to extend the ‘sustainable development principle’ to community and town councils</li> <li>• Consider the case for developing standards and principles for community engagement</li> <li>• Test the recommendation that councillors should not be able to be co-opted for more than one term on a consecutive basis</li> <li>• Explore issuing information about community council’s plans for the year with the precept notifications</li> <li>• Consider whether to legislate for appropriate support and intervention arrangements.</li> </ul>
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One Voice Wales training modules for councillors include:

- The Council
- The Councillor
- The Council as an Employer
- Understanding the Law
- Council Meetings
- Local Government Finance
- Health & Safety
- Introduction to Community Engagement
- Code of Conduct
- Charing Skills
- Community Emergency Planning
- Community/Place Planning
- Community Engagement Part II
- Equality & Diversity
- Information Management
- Use of IT, Websites & Social Media
- Making Effective Grant Applications
- Managing your staff
- Devolution of Services
- Wellbeing of Future Generations Act 2016 / Sustainability
- Local Government Finance (Advanced)



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**Tracey Burke**

Cyfarwyddwr Cyffredinol / Director General

Y Grŵp Addysg a Gwasanaethau Cyhoeddus  
Education and Public Services Group



Llywodraeth Cymru  
Welsh Government

Your Ref:

Nick Ramsay AM  
Chair of the Public Accounts Committee  
National Assembly for Wales

9 May 2019

Dear Mr Ramsay

**Re: The Auditor General for Wales' 'Fit for the Future' scrutiny discussion paper**

Thank you for your letter of 9 April seeking views on the 'Fit for the Future' paper which was discussed at Public Accounts Committee on 25 March.

Your letter seeks a response to the final theme set out in the discussion paper - Welsh Government and councils should consider the implications of the above themes for councils' and partnership governance arrangements. In particular:

- the extent to which Welsh Government can place reliance on local authority scrutiny functions in their current form; and
- what this might mean for the expectations placed on scrutiny functions both within Councils' own governance and management arrangements and any associated guidance.

**The Themes**

The themes set out in the discussion paper are important and key to ensuring councillors, both individually and collectively, have a shared understanding of the purpose and benefits of scrutiny, together with the skillsets and knowledge required to undertake the role effectively. Scrutiny is essential to ensure effective local government. The issues raised through the themes, whilst not new, provide a useful prompt to councils about key aspects of scrutiny arrangements. Some of the issues highlighted are longstanding and it may require local authorities and partners to think creatively about the approach taken to enable progress to be made. We will explore with local government whether there are further steps we can take to assist in this area and how best practice is shared across Wales. The checklist which accompanies the paper provides a useful agenda for councils to adopt, should they wish. In respect of each of the themes:



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**Clarification of roles and responsibilities** – it is important clarity exists between members and officers about their respective roles. This will be a key feature in considering future approaches to training.

**Improving public engagement in scrutiny** – decisions about services must be open to public scrutiny and local authorities need to keep under review their approach to public engagement.

**Rigour around scrutiny planning** – local authorities themselves have identified the need for improvement and are working to make progress in this area.

**Responding to current and future challenges around scrutiny support** – as set out above, there is a need for scrutiny to be considered fully as part of approaches to training and development.

**Evaluation of effectiveness of scrutiny** – we intend to introduce new arrangements around assessment of performance in the future Bill which will require local authorities to assess the governance arrangements in place.

Many of the issues highlighted are already being addressed through a range of approaches set out in more detail below.

### **Extent to which the Welsh Government can place reliance on local authority scrutiny functions in their current form**

Effective scrutiny relies on a number of individuals and organisations, each of which has a separate and distinct responsibility within the system. Our role is to ensure there is a framework in place, both in legislative and policy terms, to facilitate good local government, rather than it being for us to ‘place reliance on local authority scrutiny’. It is then for local authorities to work within that framework and ensure they have the appropriate local measures in place to deliver purposeful and productive scrutiny. It is also important to recognise the fundamental accountability local authorities have to those who have elected them to take key decisions over the provision of local services. It is, in effect, local citizens that are able to consider decisions made on their behalf and whether they ultimately stand the test of wider scrutiny.

The most effective approach to scrutiny can only be delivered when all parts of the system work together and recognise that scrutiny in any organisation is a tool which, when used in a constructive way, poses no threat to operation and enhances the possibilities for improvement in decision making.



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The Welsh Government has demonstrated, through successive pieces of legislation and supporting guidance, our commitment to work closely with local government to identify ways in which changes to legislation will support the work of local authorities whether by:

- strengthening scrutiny and other arrangements;
- providing greater opportunities for citizens to participate in areas of work that directly impact on them;
- introducing provisions which support individuals - such as the introduction of family absence for members of local authorities through the Local Government Measure (Wales) 2011.

The Fit for the Future paper identifies key areas where it is considered improvements can be made. The paper highlights a number of opportunities and challenges local authorities face when developing scrutiny approaches and the need for a more effective approach to hold council executives and other partners to account, in particular in relation to Public Service Boards. We agree these are important areas that require further detailed consideration to strengthen arrangements.

Whilst accepting the need for further development, it is also appropriate to acknowledge the work of local authorities, the Welsh Local Government Association (WLGA) and others over recent years to make progress in this area.

One example of this is the work being undertaken by Public Governance Wales to revise the Joint Scrutiny Handbook, the outcome of which we expect to see in the near future.

We recognise there is more to be done in this area and the work to strengthen arrangements continues.

### **Expectations placed on scrutiny functions both within Councils' own governance and management arrangements and any associated guidance.**

There is an ongoing dialogue between the Welsh Government, local authorities and the WLGA on a range of issues relating to local government. The arrangements for scrutiny are part of this discussion. As a result, it is our intention to introduce a new performance and governance framework through the Local Government and Elections (Wales) Bill later this year. This new framework is intended to replace the current improvement mechanism within the Local Government (Wales) Measure 2009 and aims to support cultural and organisational change within local government.

The intention is to build on existing strengths and create a more innovative, open, transparent and ambitious sector, challenging itself and collectively driving up service delivery outcomes and standards across Wales.

The Provisions within the Bill are intended to place a duty on a principal council to keep its performance under review. The approach is not intended to examine 'if performance indicators are going up or down' – but if local authorities have the processes, or



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governance, in place to address changes in performance and to think strategically into the future on how to arrange service delivery and evaluate risks return against performance.

The formal process of review will be through self-assessment, with the conclusions of the self-assessment process published annually through a self-assessment report. This will include actions to increase the extent that a local authority is meeting its performance requirements. Councils will be required to consult with local people on performance. Done correctly, scrutiny can be part of a constructive challenge to how a local authority is performing and how it organises itself in the delivery of sustainable services.

Through statutory guidance, the performance and governance framework will be framed around existing legislative requirements, such as the Well Being and Future Generations Act. As part of the five ways of working, collaboration (including regional collaboration) will be considered a key factor in the delivery of an effective and innovative council.

Fundamentally local government is accountable to the local population and key to strengthening arrangements is greater exposure of council decision making to local citizens. That is why, as part of the Bill we also intend to:

- strengthen the requirement on local authorities to broadcast specific meetings;
- place a duty on standards committees to produce an annual report to its authority including, where appropriate, recommendations for improvements;
- extend the role of Audit Committees and rename them Governance and Audit Committees. In doing so, we intend to strengthen the role and quantity of lay members within these committees.

Whilst the work set out above is ongoing, we recognise that improved processes and arrangements, of themselves, cannot deliver the improvement sought and that this needs to be supported through awareness and training for those involved in the system. Individuals need an appropriate and shared understanding of their individual and collective role in scrutiny. In the absence of this understanding, all too often individuals can feel unable to voice concerns or suggestions and as a result can miss opportunities to actively contribute and grow in experience and confidence. The level of understanding and the skillsets required will depend on an individuals' role within an individual local authority's arrangements and the training provided needs to address the requirement of these different roles. We are working with the WLGA to consider, in the first instance, whether there are ways in which we can strengthen the content of councillors' induction training in this area.

Officials recently met with the local authority heads of scrutiny to discuss whether there are further ways in which the Welsh Government is able to support local authorities and this discussion will continue over the coming months. We will continue to work with partners in local government on the detail of the above developments, both at Ministerial and official level.



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I would be happy to provide more information or clarification on any of the above, should this be helpful to the Committee.

Yours sincerely



Tracey Burke

Cyfarwyddwr Cyffredinol, Grŵp Addysg a Gwasanaethau Cyhoeddus/ Director General,  
Education Public Services  
Llywodraeth Cymru/ Welsh Government



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# Agenda Item 3

By virtue of paragraph(s) vi of Standing Order 17.42

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## National Assembly for Wales - Public Accounts Committee:

### Revisiting Cardiff Airport's performance

#### Response by Cardiff Airport

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##### Scope of our response

Following the Fourth Assembly Public Accounts Committee's report, published in March 2016, on the Welsh Government's Acquisition of Cardiff Airport, the Public Accounts Committee has agreed to revisit the issues identified in the [report](#) and review Cardiff Airport's current performance.

We will provide comment in response to the following recommendations:

**Recommendation 3.** *Holdco encourage the CIAL Board to consider expanding its Membership to include wider aviation and/or airline experience.*

**Recommendation 6.** *Holdco should also require medium and longer term financial projections as part of its review of the airport's business plans.*

**Recommendation 7.** *The Committee recommends an update is provided by the Welsh Government following completion of the financial health review and whether this has resulted in any change in terms of the commercial loans and that the Committee is kept updated on any additional loan finance that is agreed.*

**Recommendation 8.** *In order to measure the benefits to Wales of passengers coming through the airport, CIAL and the Welsh Government work together to collect this data.*

**Recommendation 9.** *CIAL work with the Welsh Government to ensure Airport Express bus signage is improved with specific consideration to making more user friendly for foreign travellers.*

**Recommendation 10.** *With regards to discussions between Cardiff Airport and Arriva Trains Wales to improve rail links to the airport, the Welsh Government work with both parties to encourage dialogue to improve the rail links to the airport.*

We will not be responding to the following recommendations, which we consider to be outside of the scope of Cardiff Airport:

**Recommendation 1.** *We recommend that the Welsh Government regularly review the businesses it has designated as anchor companies and regionally important companies.*

**Recommendation 2.** *We recommend that the Welsh Government consider engaging with Transport Scotland to understand the different approach they have taken to*



*membership of their holding company, how conflicts of interest are managed within the Scottish model and to consider the merits of such an approach alongside the work currently being undertaken to consider the composition of the CIAL and Holdco boards.*

**Recommendation 4.** *With regard to the composition of the Holdco Board we recommend that the Welsh Government give consideration to extending its membership to include a civil servant from outside the Directorate that has responsibility for economy, skills and natural resources to minimise the potential for conflicts of interest to arise.*

**Recommendation 5.** *We endorse the recommendation of the Auditor General's report and previously that of the Welsh Government's Internal Audit Services that Holdco should appoint a board member from outside of Welsh Government with appropriate business experience.*

As part of the evidence session the Committee will specifically be looking at the airport's performance together with its medium to long-term plans for future development, including financial performance since acquisition. We will respond to these points in more detail.

## Introduction

The end of April 2019 marked an important milestone for Wales' national airport in terms of passenger growth. Over the last 12 months, more than 1.6 million passengers have flown through Cardiff Airport, reflecting an increase of 7% versus 2018. This is the busiest year since 2009.

This is on top of passenger growth of 10% in the financial year 2018 and 11% in 2017.

Passenger numbers have grown by over 60% since Welsh Government purchased the Airport in 2013.

This growth reflects the Airport's position as not only a point of departure, but also as a key international gateway for visitors to the UK.

Cardiff Airport is a key contributor to the local economy, supporting 1,900 aviation-related jobs and driving over £163m of direct economic benefit to the region. Over 30% of passengers are visitors to the country.

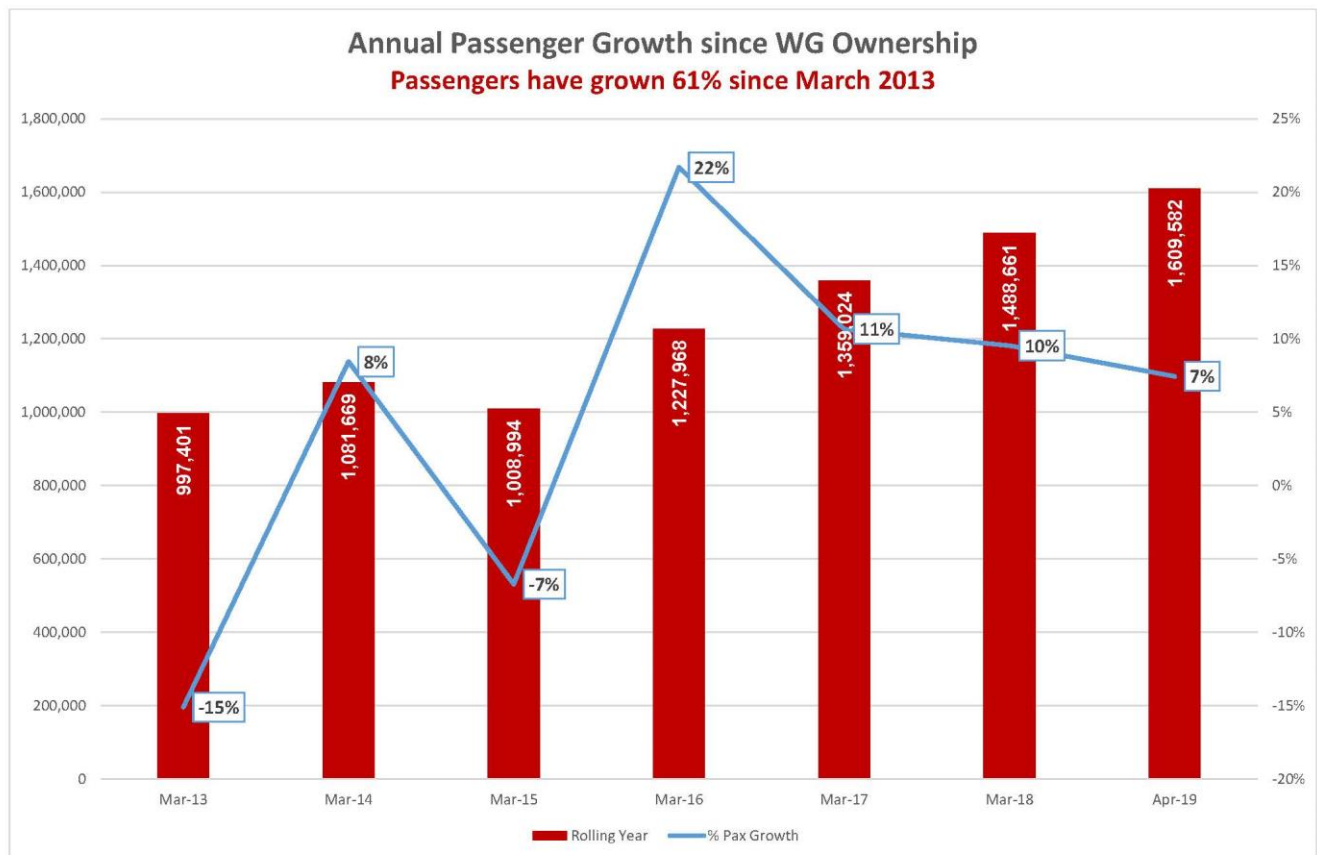
## Headlines in the Airport's development include:

- In 2018 the Airport posted its first positive EBITDA in eight years, a significant milestone for its long term sustainability
- Qatar Airways launched new flights to Doha. The 5\* airline, which touched down in Cardiff on 1<sup>st</sup> May 2018, flies customers on board a Boeing 787 Dreamliner to Hamad International Airport where they can connect to 160 destinations worldwide
- A number of improvements and new facilities were unveiled including additional seating in departures, two new Costa outlets, a larger WH Smith store with Well Pharmacy products, the car parks have been extended and reconfigured, a new car hire centre, a Meet & Greet parking service and a revamped 51<sup>st</sup> Executive Lounge and Business Lounge
- New-generation passport e-gates have been introduced at border control
- We introduced a new baggage belt system, improved the security search process and upgraded two air bridges to enhance the customer's journey through the Airport
- From 1<sup>st</sup> April 2019 we took over running the St Athan airfield, in effect being one airport with two runways – this offers significant benefits in terms of efficiency and operational delivery
- We have been able to bring forward our commitment to paying the 'Real living wage' to start from April 1<sup>st</sup> 2019, a year earlier than planned
- In 2019 the first gender pay gap reported that Cardiff Airport's 'Mean Gender Pay Gap' of 2% is significantly less than the Aviation Sector average which stands at 34% and differs greatly to the UK average of 17%; Wales' average of 12% and the Industry (Transportation and Storage) average 3%
- In 2019 we reported a 15% decrease in carbon emissions; a 7% reduction in electricity consumption and 11% increase in natural gas consumption
- KLM celebrated 30 years of flying customers between Wales and its hub at Amsterdam Schiphol airport
- Vueling celebrated its 800,000 passenger milestone.

2019 saw new routes launched:

- TUI began operating flights to Dubrovnik (Croatia), Naples (Italy) and Hurghada (Egypt) this summer, adding 100,000 seats from Cardiff
- Ryanair introduced new routes to Barcelona, Malta and Malaga complementing existing flights to Faro and Tenerife
- Thomas Cook will operate its summer schedule on larger aircraft, adding 29,000 extra seats across its 11 routes and starting some flights earlier due to popular demand.

The Airport unveiled its draft Masterplan for the next 20 years, which sets out ambitious plans for expansion between now and 2040.

**Airport performance**

N.B. The decline in traffic in 2015 was due to a reduction in services by CityJet and Stobart Air. These were then picked up by Flybe in June 2015.

## **Financial performance**

The financial performance of the Airport has continued to improve with a positive EBITDA being achieved for the financial year ended 2018 for the first time in 8 years.

The Airport has been through a period of recovery over the last 5 years. The Airport has invested in developing its facilities and in relationships with airline partners with the key objective of creating a sustainable airport business.

Whilst the development of our financial performance has been positive, the business continues to invest in creating additional income streams. Cardiff Airport continues to develop the offering for our customers and the recent investment of £6m has been a key part in providing an improved experience for our customers.

To continue this journey the delivery of the Airport Masterplan is a critical in delivering the future sustainability of the Airport.

## **Medium – long term planning**

### **CWL2040**

Cardiff Airport set out ambitious plans to develop the Airport business over the next 20 years as a key gateway to the Wales and the UK.

The Masterplan sets out the Airport's aspirations to grow to three million and beyond. Facilities must therefore meet the needs of the increased passenger numbers but also meet and exceed modern traveller's expectations. All growth must be balanced with local environmental and social concerns, with the Airport recognising the important role sustainability plays in the future vision.

### **The Masterplan highlights**

#### **International Gateway:**

- Build upon our efficient, safe and secure 24/7 operation
- Deliver greater capacity to grow to three million passengers per annum and beyond
- Attract new airlines, secure new routes and more choice for customers travelling to and from the region
- Diversify the airport to create and develop opportunities for aviation, cargo, education, technology and innovation.

#### **A unique place:**

- Create a public realm for the community to enjoy
- Excite customers before they fly and those arriving to Wales
- Link businesses across the Airport campus, supporting the region and Enterprise Zone
- Support education with a place to learn and innovate.

#### **Terminal Development:**

- Enhance our unique identity as the gateway to Wales, creating a memorable first and last impression
- Ensure ease of access for all
- Enhance our customer experience with best in class facilities, including SMART technology
- Develop our 'green' credentials to meet our environmental and social commitments.

#### **New 4\* Hotel:**

- Develop the first on site hotel
- Offer more choice in local accommodation for customers
- Offer business meeting and conference facilities
- Provide a convenient base for visitors to explore the region.

#### **New Transport Hub & Car Park:**

- Offer greater travel choice for customers, the community and the Airport team; car, bus, rail, taxi, car hire and active travel

- Offer an improved integrated transport facility
- Develop a new multi storey car park close to the terminal building
- Offer new services to enhance the customer experience.

*Masterplan attached.*

### **Recommendation 3**

#### **Holdco encourage the CIAL Board to consider expanding its Membership to include wider aviation and/or airline experience.**

In April 2017 Terry Morgan was appointed as Non-Executive Director to the CIAL Board with a wealth of aviation experience.

Mr Morgan joined the British Airports Authority (BAA) as a management trainee in 1980 and since then has held a number of senior positions in the airport industry, including the role of Managing Director at London Stansted Airport. Over the years Mr Morgan has also gained a wealth of experience in all areas of conducting airport business in an international environment. From 1997 – 2000, Mr Morgan was Chief Executive of Australia Pacific Airports Corporation and between 2007 and 2013 he held senior executive positions at London Heathrow Airport, including interim Chief Operating Officer and Technical Standards Director, the latter role included leading the airport's governance in aviation safety and security compliance.

Mr Morgan has sat on the UK National Aviation Security Committee, the board of Airports Council International and the board of the UK Airports Operators Association. He is a Member of the Royal Town Planning Institute and a Fellow of the Royal Aeronautical Society.

In April 2018 Fiona Gunn was appointed as Non-Executive Director to the CIAL Board. During a career spanning over 35 years in the retail sector, Fiona has strong commercial experience with e-commerce, marketing and strategy understanding. Fiona also has general management and FTSE 100 executive committee experience.

Fiona oversaw the strategy, creation and leadership of the George clothing business at Asda. As a divisional CEO she also led and oversaw the creation of the Non-Food segment.

She also undertook the transformation of the family owned and controlled value retailer, Wilko Retail Ltd, undertaking a complete overhaul of its 370 store estate, rebranding of its products, creation of its first online shopping platform and opening of an office in Hong Kong. Fiona also served as a NED of its innovation division, W'Innovate.

Fiona went on to create the Marketing function for Greene King and drove its digital and social media strategy as it joined the FTSE 100 and continued to grow to become the UK's largest pub retailer and hospitality business. She was a member of its five-strong Trading Board led by the Group CEO.

At the end of October 2019, the current Airport Chairman, Roger Lewis will stand down after a 4 year tenure. The recruitment process for a new Chairman is underway.



**Recommendation 6.**

**Holdco should also require medium and longer term financial projections as part of its review of the airport's business plans.**

Cardiff International Airport Limited annually prepares a budget along with a two year operating plan. In conjunction with this a 5 year forecast is prepared together with a high level 20 year projection. The plan is approved by the Cardiff International Airport Limited Board of Directors and is approved by the Board of WGC Holdco.

**Recommendation 7.**

**The Committee recommends an update is provided by the Welsh Government following completion of the financial health review and whether this has resulted in any change in terms of the commercial loans and that the Committee is kept updated on any additional loan finance that is agreed.**

A loan facility was agreed with Welsh Government in May 2017 for £38.2m.

In 2018 The Airport launched its 2040 masterplan for the future development of the Airport. The Airport is a key Gateway to Wales and is a key part of the National Infrastructure. The Airport has shown significant growth in passenger numbers over the last 5 years. For the Airport to continue to progress as a business and to be an asset that Wales can be proud of investment is required as highlighted by our masterplan.

We will work through the details with all our stakeholders to explore in more detail the actual deliverables to ensure a sustainable development plan which delivers economic value to Wales to realise our ambitions. All investment options will be explored.

**Recommendation 8.**

**In order to measure the benefits to Wales of passengers coming through the airport, CIAL and the Welsh Government work together to collect this data.**

Cardiff Airport works with the Civil Aviation Authority (CAA) to understand travel habits through the annual survey. This tracks points of origin plus the areas of Wales visitors travel to once in the country.

Over the past 18months we have focused on gaining more customer insights through a range of market research methods gathering data throughout the airport experience. Customers are encouraged to complete our survey on site in the terminal and online once they have travelled, understanding more about their reasons for travel.

We continue to work closely with Visit Wales and are exploring more ways to collectively collate and share data insights.

**Recommendation 9.**

**CIAL work with the Welsh Government to ensure Airport Express bus signage is improved with specific consideration to making more user friendly for foreign travellers.**

Improved signage at the Airport was installed in 2017.

We are currently exploring ways of further improving the information provision for customers with live arrival/ departure boards integrated into the Airport Arrivals Hall. This is expected to be complete in summer 2019.

**Recommendation 10.**

**With regards to discussions between Cardiff Airport and Arriva Trains Wales to improve rail links to the airport, the Welsh Government work with both parties to encourage dialogue to improve the rail links to the airport.**

Cardiff Airport engages with Transport for Wales as a key stakeholder and is meeting regularly to share best practice and joint ways of working.

We are actively engaged with partners including councils, Welsh Government and transport providers to explore ways of accessing the Airport in addition to the Express Bus and current rail services. It is particularly important to improve access from west Wales and the south west of England.

As part of the Masterplan we have included a new transport hub which will incorporate all modes of access to the Airport – including public transport and active travel. There is an area safeguarded for a potential new train station but further consultation is required to explore this option.

**Conclusions**

Cardiff Airport is on a long journey of recovery and much progress has been made which can be evidenced in the growth of passenger numbers, customer choice and the improved airport experience. The Airport Company is further developing by diversifying the business to ensure long term sustainability. The running of the St Athan airfield also shows how greater efficiency and cost savings can be achieved.

We believe the increasing cost of regulation is having a disproportionate impact on smaller, regional airports as UK Government policy passes on costs to users (airports) which cannot be absorbed or recouped. The UK Governments refusal to cover the cost of new E-passport gates at Cardiff Airport is evidence of this 'un-level' playing field which directly impacts on the customer experience arriving into Cardiff, as a key gateway to the UK. The Welsh Government was able to step in and fund the gates so that Wales was not disadvantaged compared to English Airports.

In autumn 2018 Cardiff Airport gave evidence to the Welsh Affairs Committee Inquiry into the devolution of Air Passenger Duty (APD) to Wales. Devolution would allow the Welsh Government the discretion to set levels appropriately for Wales. The potential reduction or abolishment of APD would positively affect Cardiff Airport by stimulating airline activity resulting in more passengers and business growth. This supports aspirations for a 'Western Powerhouse' and an integrated UK Aviation Strategy.

We believe that the modification of APD offers a significant opportunity to create value for both the Airport and region supporting an integrated UK aviation strategy. With Brexit on the horizon, the UK should seize the opportunity and take forward solutions to be more competitive, stimulate investment and encourage global connectivity.