

Report

Cabinet



Part 1

Date: 28 April 2022

Subject Transporter Bridge Funding Uplift

Purpose To provide an update on project costs and seek a commitment to underwrite any identified shortfall to enable the project to proceed

Author Culture and Continuing Learning Manager.

Ward Pillgwenlly / Lliswerry

Summary Two main contractors engaged to repair the Transporter Bridge and build the new visitor centre followed each other into administration in July 2021. The two packages of work were subsequently retendered and reflecting worsening market conditions to the effects of the pandemic and EU exit, the tendering exercise returned prices higher than those previously received. The visitor centre costs showed an increase of around 18%, but the Bridge repair package price increased by 100% from £4,668,243 to £9,342,010. A value engineering exercise was carried out and savings made, nevertheless the project faces a considerable increase in cost.

The National Lottery Heritage Fund (NLHF) have been sympathetic to the project's plight and encouraged an application for an uplift in funding. The timetable for this application process was very compressed with a submission made in February. At the UK lottery board on March 29 an uplift of just under £2m was confirmed. As it stands the funding shortfall is just under £3 million. Additional funding is being sought from other partners but this has not been confirmed to date. If this project is to proceed, it is therefore necessary for the Council to underwrite this figure. There is an urgent need for a decision as contractors will not hold their prices indefinitely and any further re-tendering exercise is expected to see further increases in price.

Proposal 1. To agree to accept the additional funding award of £1.95m from NHLF and for the Council to underwrite the remaining figure of £2.922 million in line with the solution shown in the financial summary and the HoF commentary,

Action by Head of Regeneration and Economic Development

Timetable Immediate

This report was prepared after consultation with:

- Head of Regeneration and Economic Development
- Head of Finance
- Head of People, Policy and Transformation
- Head of Law and Standards
- Newport Norse

Signed

Background

The Council was awarded £8.75 million by the National Lottery Heritage Fund towards the repair, restoration and interpretation of the Transporter Bridge in December 2020. Confirmed matched funding included £1.38m from the Council's Capital Programme and £1.5 million from Welsh Government. The Council funding included an amount (£380k) for underwriting potential external grants and local fundraising. Accordingly, this represented the maximum risk exposure to the Council at that time.

The application to NLHF in 2020 was based on tendered packages of work for both the building of a new visitor centre and the agreed repair project for the Bridge. In July 2021 both appointed contractors entered administration and consequently the work packages had to be retendered. The retendering exercise yielded prices higher than those used to develop the bid. The visitor centre saw an increase of 18%, however the Bridge repair package saw an increase of 100% from £4,688,243 to £9,342,010.

The second round of tendering for the bridge repair has increased costs largely under preliminaries, main contractor overheads and profits, and lighting and electricals. These three items added £3.3 million, alongside other price increases. The Transporter Bridge itself is a Grade I listed structure and works to the bridge require a specialist contractor.

The total project cost had risen from £11,925,400 to £16,963,797. Discussions with National Lottery Heritage Fund signalled their receptiveness to a bid for an uplift in funding. Covid and its fallout was affected a number of their main grant funded projects. The new project cost was arrived at after a comprehensive value engineering review and savings of £684,763 found. The opportunity for making significant savings on the Bridge repair project were limited without compromising the longer-term maintenance aims, additionally a large part of the project's costs related to access and safe working at height and these could not be reduced. The headline figures include £239,400 volunteer time and 50,000 increased maintenance costs. NLHF applications include these as both cost and income and so have neutral effect and these two figures have been removed in the table below and therefore the project set out in the financial table are £11,636,000 and £16,647,000.

The inflationary context in which we now find ourselves and the issue with sourcing materials means that any delays in agreeing to proceed with this project brings further risk to price. The further deterioration in the condition of the Bridge also needs to be borne in mind. As a listed structure the Council has a duty to preserve the structure and irrespective of the opportunity to provide a visitor facility to maximise access and understanding of the historical importance of the bridge, the Council remain responsible for its maintenance and repair. Currently the cost of repair and maintenance for the Bridge stands at £15,000 p.a. in materials and a fulltime maintenance technician.

Over £12million of external funding has already been secured for the project and will be lost if the project as a whole does not proceed.

The Reason for the Proposal

As stated, the project to repair and restore the Transporter Bridge offers an opportunity to carry out much needed work with the benefit of substantial external funding. The Bridge is the most significant structure on the Newport skyline and its image is widely used in the media. It also represents the industrial period in South Wales of which there are precious few surviving structures.

There is a degree of urgency in reaching a decision and proceeding with the project. The time period for the tendered prices upon which this report is based on has already expired but the contractors are willing to honour those at this time but with a significant risk that they may need to change again as materials prices change. The contractors need to be formally engaged to fix the price at the levels on which the uplift request was based. Formal commencement would mitigate the risk, otherwise there is a possibility of having to tender for a third time, and in the current economic context a further price rise is a real possibility. There will be no further opportunity for NLHF funding following the recently confirmed uplift.

The project will ensure the Transporter Bridge is the visitor attraction it deserves to be. Increasing its profile and the number of visitors is key to its long-term sustainability. It is imperative to drive up income and increase investment in on-going maintenance. The project will deliver a much-improved visitor experience and safeguard this iconic structure which is important to our residents and communities.

Standard NLHF grant conditions will apply. The funding agreement with National Lottery Heritage Fund will require a form of security to ensure compliance with grant conditions. This will take the form of a restriction against title. This will prevent the Council from selling or granting any other legal interest in the Transporter Bridge during the grant period without National Lottery Heritage Fund's express consent. This is a standard requirement for regeneration projects.

Financial Summary (Capital and Revenue)

Funder	Previously Approved Funding £	Committed/Secured Funding £
Local Authority	1,380,000	1,380,000
PRISM		30,000
Welsh Government	1,500,000	1,500,000
Wolfson Grant		90,000
Local Fundraising (Friends of Newport TB)		20,000
National Lottery Heritage Funding	8,756,000	10,706,000
Total Committed Funding	11,636,000*	13,726,000*
Total Project Cost	11,636,000*	16,647,397*
Funding Shortfall (underwritten by NCC)		2,921,397

(*These figures do not include an allowance for volunteers and increased maintenance costs of £289,400 that formed part of the NLHF funding application and appear as both a project cost and income and therefore have a net zero effect on the budget)

The new underwrite figure is the maximum exposure the Council faces should not a penny more be raised from any other source. The Project Team are continuing to seek additional grant funding opportunities and are continuing to work with the Friends of Newport Transporter Bridge on popular fundraising.

At this time, the Council's available capital headroom and limits, as approved by full Council, are insufficient to meet this cost of £2.9 and Cabinet could not approve this as it would breach the budget framework it is required to work within. Unallocated capital resources within the headroom currently stand at £1.896m. However, current commitments against the headroom includes the Council's match funding for the 'Northern Gateway' capital bid at £2m, which was a competitive bid into the UK Government Levelling Up initiative. The scheme was unsuccessful and therefore, is not required. Removing this would increase the available headroom to £3.896 and enable the Cabinet to approve this. If Cabinet are minded to approve this additional budget provision; then the above solution is also required as a pre-requisite.

As the above shows, the Cabinet would therefore have allocated virtually all of the 2022/23 authorised capital resources at this point of the financial year and in making a decision on this issue, need to be cognisant of that.

Risk

Risk Title / Description	Risk Impact score of Risk if it occurs* (H/M/L)	Risk Probability of risk occurring (H/M/L)	Risk Mitigation Action(s) What is the Council doing or what has it done to avoid the risk or reduce its effect?	Risk Owner Officer(s) responsible for dealing with the risk?
Further Delay resulting in tender prices not being held, leading to a retendering exercise and a further increase in price	High	High	Early engagement of the contractors is the only course of action that will mitigate the risk.	Head of Regeneration and Economic Development/ Newport Norse.
Further inflationary pressure due to the current economic conditions and volatility in the construction materials marketplace	High	Medium	Forward buying of materials as soon as contracts are formally let will help manage price increase	Newport Norse
No further funding being secured requiring the full under written cost to be met by the Council.	Low	Medium	The project team continue to source additional funding. However this decision to underwrite the residual amount will ensure that the scheme progresses.	Head of Regeneration and Economic Development

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

The Transporter Bridge is the most iconic feature on Newport's skyline and investment in its repair and restoration will contribute to the City's regeneration and support businesses directly through and injection of £16 million into the post Brexit and post Covid economy. The visitor offer will encourage outdoor activity through active travel. A significant visitor segment currently visits the bridge as a stop on the Wales Coastal Path and the National Cycle Route network. Once reopened we expect this segment to grow.

The plans for the Transporter Bridge headline the Thriving City chapter of the Corporate Plan 2017-2022.

Options Available and Considered

- a) Wait whilst further fundraising takes place and delay the project indefinitely.
- b) Accept the NHLF grant uplift and proceed with the project by agreeing to underwrite the project and vigorously pursue a fundraising effort including making further requests to Welsh Government.
- c) Abandon the project.

Preferred Option and Why

b) Accept the NHLF uplift in grant and agree to underwrite the project to enable contractors to be engaged and for the project to start. This would be the most effective mitigation measure regarding the risk of project inflation. The ongoing deterioration of the bridge structure also means there is not a “do nothing” option and the benefit that £12 million pounds of external funding brings should not be discounted.

Comments of Chief Financial Officer

The situation with unavoidable price increases is being felt across all organisations across the UK and beyond. The report highlights this point against the ‘Transporter Bridge restoration project’ and asks that the Council secures the current tendered price before any further potential increases.

The Council is working to an authorised limit on increases to its ‘capital commitments, funded from borrowing’ this year. It was set in line with the requirements of the current capital programme plus a small amount of headroom for new schemes. The Cabinet is required to make decisions and capital commitments within those limits in order to keep borrowing commitments within prudent limits. The background to this was explained in the February Council report on the Capital Strategy.

As noted in this report, the Cabinet, in agreeing to this decision to underwrite £2.9m to this scheme would need to take out the Northern Gateway scheme commitment currently against the headroom. This particular scheme cannot be taken forward at this time and therefore is entirely sensible to do if there is a higher priority to support the increased costs in relation to the Transporter Bridge.

As the report notes, this would utilise virtually of all of the authorised borrowing commitments before 2023/24 and Cabinet need to be cognisant of this. The Cabinet will be aware of a significant revenue budget underspend forecasted for the 2021/22 and therefore there will be an opportunity for the Cabinet in June/July to consider how that is utilised, which could include increasing ‘capital reserves’ to create some further headroom for the remainder of this financial year, for example.

Comments of Monitoring Officer

There are no specific legal issues arising from the Report. Cabinet have previously accepted to the NHLF grant conditions and have agreed to the Council’s match-funding capital contributions. Because of the significant increase in the tender prices and the escalation in costs, there is the potential for an increased shortfall in funding of nearly £3m even allowing for the increased NHLF grant of £1.95m. Therefore, Cabinet is being asked to confirm the acceptance of the increased NHLF grant offer and to agree to underwrite any shortfall in funding up to a maximum of £2.922m, if further funding support cannot be secured. The tender prices will need to be accepted as soon as possible to secure the contract costs and, therefore, this decision is too urgent to await the next scheduled meeting of Cabinet in June.

Comments of Head of People, Policy and Transformation

There are no HR implications for this proposal.

Whilst a full FEIA has not been completed, this proposal will help to secure the future of an iconic Newport landmark and the work will be undertaken in collaboration with the local community and other key interest groups in a way that supports the requirements of the Wellbeing of Future Generations Act.

Scrutiny Committees

None

Fairness and Equality Impact Assessment:

The urgency surrounding this decision means that a substantial and robust FEIA cannot be carried out within timescale available. The decision relates to capital expenditure to repair and restore one of the most significant artefacts of Newport’s historic built heritage. This project therefore does not have any specific impact on any group or community in Newport. The project may divert resources that

conceivably could be invested elsewhere and therefore the fairness of the decision called into question. However, the substantial opportunity arising from external funding of over 12 million pounds must be also considered. This investment will have consequential benefit to the community of Pillgwenlly, and this community has been consulted widely in terms of developing content and activities.

Wellbeing of Future Generation (Wales) Act

Long term - The project provides a long-term secure future for the Bridge. The Bridge is recognised as the most iconic feature of the Newport's skyline and this project will ensure we pass it on to the next generation in a better condition than when pass to us. We have made great strides in developing the Bridge as a community asset and this project will provide the opportunity to further this work and ensure the Bridge brings maximum benefit to the immediate community of Pillgwenlly as well as making a substantial contribution to the local visitor economy. The project also provides the opportunity to develop learning assets for local schools and groups and this too will be taken forward the legacy period

Integration – The activity plan has been designed to involve local people and encourage a range of well-being outcomes including health, mental health and personal well-being. The educational offer will encourage learning, particularly for children who require a more experiential learning offer to flourish. The Bridge Project capital phase will make a direct impact on the local economy while, over the longer term, the visitor economy will also benefit from a new significant visitor attraction. The new visitor centre has designed with energy efficiency as a key design output.

Involvement - The project team have also consulted the local community and their views have informed key aspects of the interpretation and the proposed activity plan.

Collaboration - The project to date the project has been collaborative in nature working with key specialists including Cadw, Welsh Government and paid expert consultants. The project team have also consulted the local community and their views have informed key aspects of the interpretation and the proposed activity plan.

Prevention - The business plan under pins a long-term maintenance plan designed to reduce the cyclical cost impact of maintenance and periodic capital investment. This new approach to maintenance will ensure the ongoing sustainability of this key local heritage asset for the benefit of the people of Newport.

Equality Act 2010

The proposed decision does not have any direct or indirect impact on people or groups of people with protected characteristics defined by the Act. It might be argued investment in this project might mean that investment is denied, and this could have an indirect impact. However, it must be recognised that the financial liability that the bridge poses will not disappear if it is decided not to support the project. Equally, the inward investment that the project brings will benefit to everyone including those within the defined characteristic groupings.

Socio-economic Duty

The Transporter Bridge will have a beneficial financial impact on one of the most economically challenged communities in Newport. The National Lottery Heritage fund sees the engagement of the local community and ensuring local economic benefit as a key output for their portfolio of supported projects. The Activity Plan and its programme of events and activities has been developed to ensure the local community is directly engaged and benefits from the project. Additionally, the project has consulted with the local community to build a sense of engagement and ownership. Representatives of the local community have been consulted to ensure the local voice is heard in the interpretation. A focus of working with school children will ensure a generation will develop with an innate sense of custodianship. The project team works cooperatively with the team in the Central Hub and is delivering projects cooperatively to increase engagement.

Welsh Language (Wales) Measure 2011

The new visitor and graphic content is being designed with full bilingual provision. The exhibition designers will ensure the exhibition content is written in Welsh and English and in a way that makes the content fully meaningful to both English and Welsh Speakers and is not a simple word for word translation. Attracting paid visitor welcoming staff and volunteers will be a priority to for the project. The Activity plan will ensure that events and projects involve the local Welsh speaking community. The Learning and engagement team will also ensure the Bridge as a Welsh Learning resource is also fully exploited.

Crime and Disorder Act 1998

Consultation

Background Papers

[Newport City Council - Agenda for Cabinet on Monday, 22nd February, 2021, 4.00 pm](#)

Dated: 22 April 2022