

Report

Cabinet



Part 1

Date: 15 June 2022

Subject: Information Station Project

Purpose To provide an update on project costs and seek a commitment to meet the costs of project overspend in order to proceed with the delivery of the scheme.

Author Head of Regeneration and Economic Development

Ward All

Summary In December 2019 Cabinet agreed to seek an alternative commercial use for the ground and first floor of the Information Station as a tech hub and to relocate current staff and services to the Central Museum and Library. The sub lease of the Information Station was offered as part of a competitive tender to technology providers. On the basis of the tendered rent and their proposed business model, Tramshed Tech were identified as the successful operator. The face-to-face services were to relocate to the Central Library and Museum (CL&M) building and £1.3m of Welsh Government Transforming Towns funding was awarded for the refurbishment of the CL& M building.

In March 2020 the UK went into lockdown and face to face services were closed in line with government regulations. Face to face provision was restarted in September 2021 from the temporary location at the Riverfront. However due to extensive issues with the landlord of the Information Station (ArchCo) with regard to the consent to sub-lease, coupled with the global increase in price for construction projects and the ongoing delays, this has resulted in a budget variance of £140k.

ArchCo have now given their consent to the sub lease to Tramshed Tech and the works package for the CL&M building has been retendered. This price is held until 30th June 2022.

Proposal To agree to meet the increased costs of the project in order to allow the proposal to proceed.

Action by Head of Regeneration and Economic Development

Timetable Immediate

This report was prepared after consultation with:

- Chief Executive
- Head of Law and Standards
- Head of Finance
- Head of People & Business Change

Signed

Background

In December 2019 Cabinet agreed to seek an alternative commercial use for the ground and first floor of the Information Station and to relocate current staff and services to the Central Museum and Library (CL&M). The building is not owned by the Council and the upper floors of the building have already been sub leased to Cardiff University to deliver the National Software Academy. The Council's remaining term on the building was offered as a sub lease to technology providers in order to deliver a tech hub in the City Centre. In addition to supporting regeneration and economic development of the City Centre, sub-leasing the ground and first floor of the Information Station was seen as an opportunity to reduce expenditure and dependency on third party owned property. This also aligns with corporate commitments to rationalise and maximise the Council's asset portfolio and use our own buildings more effectively.

A competitive tendering exercise was undertaken and on the basis of the tendered rent and proposed business model, Tramshed Tech were identified as the successful operator.

The face-to-face services were to relocate to the CL&M building and £1.3m of Welsh Government Transforming Towns funding was awarded for the refurbishment of the CL& M building. However in March 2020 the UK went into lockdown and face to face services were closed in line with government regulations. Face to face provision was restarted in September 2021 from the temporary location at the Riverfront. This temporary location was considered reasonable due to the need to be move at pace to deliver this project as well as minimise disruption for residents which would arise from multiple moves of the service. However due to extensive issues with the landlord of the Information Station (ArchCo) with regard to the consent to sub-lease coupled with the global increase in price for construction projects, the overall budget has increased by £140k.

ArchCo have now given their consent to the sub lease to Tramshed Tech and the works package for the CL&M building has been retendered. This price is held until 30th June 2022 and it follows that any delay in letting the contract beyond 30th June will result in the contract being re-priced. In the current economic climate there is a significant risk of prices increasing further. We are close to completing the Agreement for Lease with Tramshed Tech but until it is confirmed that the project has the necessary budget to deliver it, we cannot complete the Agreement for Lease.

Cabinet previously agreed to allocate £350,000 towards the capital costs of the relocation project. This would increase to £490,000 under the retendered costs. The Welsh Government grant of £1.3m remains in place.

Timeline

The tender price is held until 30th June 2022. Subject to the contract being awarded by this date, the refurbishment works at the CL&M is expected to be completed by the end of January 2023. Similarly, Tramshed Tech anticipate undertaking their fit out works over the summer with an opening in September this year. The current face to face service will need to continue to operate from a temporary location until the refurbishment works are complete and it is intended to provide a pop up library facility to ensure there is access to library resources during this period.

Financial Summary

The table below provides an overview of the projected capital expenditure required to deliver the necessary works to both buildings, as well as the current approved funding. The overall shortfall, which this report requests approval for, is identified as £140,000.

The Council has available capital funding headroom which can be accessed in order to fund this additional cost. The current balance of available headroom is £974,000, comprising a combination of borrowing headroom and uncommitted earmarked reserves. Should it be agreed that an allocation of £140,000 is made from the headroom, the residual balance for other schemes during 2022/23 would reduce to £834,000.

	Total (£)
Projected Expenditure:	
Information Station Capital	268,607
Museum & Library Refurbishment	1,621,393
Total Expenditure:	1,890,000
Current Funding:	
Newport Council Borrowing & Reserves	420,639
Welsh Government	1,325,074
Other Contribution	4,287
Total Current Funding	1,750,000
Funding Shortfall	140,000

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Operational impact on NCC face-to-face services and CL&M if a permanent location is not provided.	M	M	Temporary facilities are being provided to ensure that residents have access to face to face services.	Head of R&ED Head of Finance
Increasing contract costs if the contract is not let by 30 th June 2022.	H	H	Costs will be recalculated on a monthly basis after 30 th June.	Head of R&ED
Space for pop up library is not available.	M	L	Space has been secured until March 2023.	Head of R&ED

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

This development would be in keeping with the adopted Local Development Plan, Economic Growth Strategy, City Centre Master Plan, Corporate Plan and Local Well-being Plan.

Council Commitments / Priorities

This proposal meets the following commitments and well-being objectives of the council as specified in the Corporate Plan 2017 – 2022

Thriving City

- Real progress on transforming Newport city centre through placemaking and investment.

Well-being Objectives

1. **People feel good about living, working, visiting and investing in Newport**

The Newport “Offer” should attract and retain people and businesses to the City, recognising that desirability to work and live in the City is the result of the “complete package” including

employment, housing solutions, infrastructure, environment, cultural opportunities and public services.

Options Available and considered

- 1) Agree to fund the project by an additional £140,000 to ensure the delivery of the project.
- 2) Do not agree to allocate the additional funding, do not complete the Agreement for Lease to Tramshed Tech and continue to provide NCC services from the ground and first floor of the Information Station building.

Preferred Option and Why

- (1) Agree to fund the project by an additional £140,000 to ensure the delivery of the project. This will enable the Agreement for Lease to be completed with Tramshed Tech to provide tech hub space in the city centre and also deliver agreed revenue savings identified as part of project approved by Cabinet in December 2019. This will help deliver on Corporate Plan commitments.

Comments of Chief Financial Officer

This report outlines the impact of increasing contract costs associated with the capital works to refurbish the Information Station and Central Library & Museum buildings. Due to the delays outlined in this report and the wider impact of contract inflation, additional costs totalling £140,000 have been identified. In order to secure the current tendered price, a commitment needs to be made before 30th June 2022.

As outlined in the 2022/23 Capital Strategy, the Council is working to a prudent authorised limit in terms of capital expenditure commitments. This limit reflects the existing Capital Programme, plus a small amount of headroom for new schemes or increases in the cost of existing schemes. Following a recent commitment to increase the funding commitment for the Transporter Bridge, the available headroom totals £974,000. Therefore, there is the scope for the Cabinet to commit a further £140,000 from this headroom, to be able to secure the tendered price for this particular scheme. Clearly, this commitment will reduce the level of headroom available for the remainder of this financial year, with any further capital scheme increases needing to be managed within this residual sum, supplemented by any external grant funding or utilisation of the Council's revenue budget underspend for 2021/22.

Comments of Monitoring Officer

Terms have been agreed with the head landlords, Arch Co, and the proposed sub-tenants, Tramshed Tech for the carrying out of the internal fit-out work and the grant of a sub-lease for the remaining floors of the Information Station, upon the terms previously agreed by Cabinet. The Agreement for Lease with Tramshed Tech is due to be finalised and completed shortly and will be conditional upon the completion of the licences for the works and the sub-letting and also the satisfactory completion of the fit-out works. However, the completion of the Agreement for Lease will commit the Council to granting the sub-lease to Tramshed Tech, on the agreed terms, once these conditions have been met. To facilitate this, the Council has to ensure that it is able to deliver up vacant possession of the building by permanently re-locating existing services to the Central Museum & Library and, in order to achieve this, the Council has to enter into a building contract for the necessary refurbishment work. All of these linked projects will need to be delivered in order to secure the necessary outcomes previously agreed by Cabinet and also to meet the conditions of the £1.3m Welsh Government grant funding. Therefore, before the Council can complete the Agreement for Lease and commit to the sub-lease for the Information Station, it will be necessary for Cabinet to agree to the increased costs of the building work to the Central Museum and Library. Because of the delays outlined in this report, coupled with the inflationary increase in building costs during that period, the estimated costs of the work have increased by approximately £140k. The revised contract price will only be fixed until the end of June and, therefore, a decision has to be taken now to increase the available budget for the project in order to secure that price. That will enable the

Council to enter into the building contract for the works at the same time as completing the Agreement for Lease with Tramshed Tech, to ensure that all of the legal rights and obligations are synchronised and that both elements of the lined schemes can be delivered.

Comments of Head of People and Business Change

There are no direct HR implications arising from this report. Existing staff have been relocated to the alternative building.

As outlined in the report, the proposal will help deliver a number of national, regional and local strategies particularly those aimed at economic development, skills and work, environmental regeneration and improving the local business offer. This long term project fits in with the city's Well-being Plan by contributing to improving the Newport Offer, particularly in the city centre, and offering skills and work development. The project has considered the five ways of working as required in the Well-being of Future Generations Act as outlined in the previous report.

Scrutiny Committees

None.

Fairness and Equality Impact Assessment:

- **Wellbeing of Future Generation (Wales) Act**
- **Equality Act 2010**
- **Socio-economic Duty**
- **Welsh Language (Wales) Measure 2011**

The council has a number of legislative responsibilities to assess the impact of any strategic decision, proposal or policy on people that may experience disadvantage or inequality. The principle of the project remains unchanged since Cabinet approval in December 2019 and the reasons for that decision are contained in the imbedded report below. This decision relates additional funding for the project and accordingly an FEIA has not been completed.

Consultation

None.

Background Papers

Cabinet Report January 2020

<https://democracy.newport.gov.uk/ieListDocuments.aspx?CId=139&MId=7782&Ver=4&LLL=0>

Dated: 8 June 2022