



Report of the Cabinet Member for Investment, Regeneration & Tourism

Special Cabinet – 29 September 2022

FPR7 Report - Hafod Copperworks Powerhouse Redevelopment Project Update Report

Purpose:	To comply with Financial Procedure Rule No.7.4 (Capital Programming and Appraisals) - to authorise a variation to an existing capital scheme in the Capital Programme.
Policy Framework:	Swansea Bay City Region Economic Regeneration Strategy, City Centre Strategic Framework.
Consultation:	Access to Services, Finance, Legal.
Recommendation(s):	It is recommended that Cabinet: 1) Approves the Financial Implications set out in paragraph 4 of this report and authorises the additional funding to be added to the approved scheme. 2) Delegates authority to the Interim Director of Place in consultation with the Director of Finance and Chief Legal Officer to approve a final construction cost for the project.
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1. Introduction

- 1.1 This report provides an update to the report presented to Cabinet on the 18th October 2018 on the delivery of the Hafod Copperworks Powerhouse redevelopment project and updates on the financial position and implications.

- 1.2 The project focuses on the Powerhouse building located within the tangible remains of the Hafod-Morfa Copperworks, which occupies 12.5 acres of land on the west bank of the River Tawe in the Lower Swansea Valley.
- 1.3 The Hafod Copperworks Powerhouse Re-development project, will establish a high profile, financially viable, sustainable core at the internationally significant site of the former Hafod-Morfa Copperworks, Swansea that was the crucible of the world copper industry in the 1800s. The world-class end tenant – Penderyn Whisky Company will use the site as its base for expansion of their highly successful business at the grade II listed Powerhouse and part of the grade II listed Rolling Mill.

2. Project Update

- 2.1 Following a tender process for the main works contractor and subsequently following a value engineering process, the works contract was awarded with works commencing in July 2020. The redevelopment has now entered the final stages of the construction contract with John Weaver Contractors with works now focused on the completion of the link structure connecting the new Visitor Centre to the Rolling Mill space together with landscaping and remedial works such as completion of areas of repointing. Key works milestones have been achieved such as the completion of the installation of the Welsh slate roof to the Powerhouse and the installation of the clock to the iconic landmark clock tower on the Powerhouse.
- 2.2 The current completion date for the agreed contracted works is the 5th September although this may be subject to slight revision and Penderyn have planned to commence their fit out from the 1st October 2022 pending approval of their listed building consent and planning applications. Penderyn aim to be fully operational on site for the 1st March 2023. Agreement has been reached with Penderyn with regard to the fit out requirements and overlap with the works on site.
- 2.3 Penderyn have placed significant orders associated with this project and are advancing the design of the fit out. In addition they have appointed a conservation architect, planners and building control team. The planning and LBC applications for the fit out stage have been submitted.
- 2.4 As the shell and core works come to a close for all buildings that have been redeveloped, ongoing tasks such as water supply flushing and ensuring the integrity of hoarding on publicly accessible areas of the site is required for buildings within Penderyn demise.
- 2.5 The Tender process to engage a main contractor was undertaken in the summer /autumn of 2019. Post tender negotiations were undertaken to resolve tender clarifications and value engineer works to bring the project back within budget. This process was prolonged due to its nature and with the Covid pandemic coming into effect during such time. An agreement

was reached in May 2020 and works commenced on site in July 2020, short of 3 months into the pandemic.

- 2.6 Three main areas have resulted in cost pressures being faced on the project. Project cost escalation has arisen as the result of conservation requirements, discovered ground contamination and below ground discovered archaeology.
- 2.7 Common to all projects, a range of issues have arisen on the back of the pandemic and to an extent post-Brexit realignment creating logistical issues arising across the construction industry. This has affected availability of labour, material supply issues, inability to source certain materials in a timely manner including timber and steel, and as a consequence often steep price increases were received for all of these. All of these issues were unforeseen at application stage, and despite allowing for what was considered to be a healthy allowance for inflationary pressures and contingency, no one anticipated the sheer extent of the increases that have steadily occurred during the delivery of this project.

3. Integrated Assessment Implications

- 3.1 The Council is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Acts.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
 - Deliver better outcomes for those people who experience socio-economic disadvantage
 - Consider opportunities for people to use the Welsh language
 - Treat the Welsh language no less favourably than English.
 - Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.
- 3.1.1 The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.
- 3.1.2 Our Integrated Impact Assessment (IIA) process ensures we have paid due regard to the above. It also takes into account other key issues and priorities, such as poverty and social exclusion, community cohesion,

carers, the United Nations Convention on the Rights of the Child (UNCRC) and Welsh language.

- 3.2 An Equalities Impact Assessment Screening and an Equalities Impact Assessment Report (EIA) outlining engagement/consultation was undertaken in 2018 and approved prior to the introduction of IIA's.
- 3.3 This project is fully compliant with the Well-being of Future Generations (Wales) Act 2015. The project objectives align with the Council's obligation to act in a sustainable way and the examples of public and private sector investment demonstrate compliance with the 5 Ways of Working promoted by the Act and will make a significant contribution to the 7 well-being goals.

4. Financial Implications

- 4.1 The project was notified of its successful round 2 delivery phase award by the National Lottery Heritage Fund on the 26th September 2018 offering a grant contribution totalling £3.567m.
- 4.2 The project team formally submitted a request for additional grant funding to NLHF and were notified on the 6th July 2022 that the authority was successful in its request for an additional £250k grant. This additional award of funding was coupled with notification that the authority had been granted an extension to the grant expiry date. The original NLHF grant expiry date is now extended from 30th June 2022 to 30th April 2023.
- 4.3 The original NLHF grant of £3.567m is now increased to £3.817m.
- 4.4 In addition to the NLHF grant award, the project team have been successful in receiving additional capital grant funding from Welsh Government. On the 21/02/2022 the council received notification of award of funding of £500k grant in relation to the Regional Capital Stimulus Funding Programme. The funding related to the period 01/06/21 to 31/03/2022 and was claimed in full during June 2022.
- 4.5 The original core match funding requirement of £1,743,611 has been secured via £1.743m from the existing Capital Programme. The CCS additional Unsupported Borrowing requirement was confirmed in a letter issued from the S151 officer dated 17th June 2022 where it was stated that additional project costs of up to £1.237m would be subject to council underwrite whilst being actively mitigated.

5. Legal Implications

- 5.1 The Council will need to comply with the terms and conditions attached to any grant funding utilised in conjunction with the regeneration match funding budget identified in this report.

- 5.2 All contracts for works, goods and services necessary to deliver the projects must be procured in accordance with the Council's Contract Procedure Rules and the Public Contracts Regulations 2015 as appropriate. The contractual liabilities/obligations of the Council and any appointed contractors will be covered by the individual contracts entered into.
- 5.3 All statutory consents required in proposals to utilise the regeneration match funding budget will be the responsibility of the Planning and City Regeneration Division.
- 5.4 The Council will need to consider the terms and conditions of the contract and dispute resolution mechanisms in relation to any disputes arising from failure to agree the value of any claims for payment made by the Contractor.

Background papers: None.

Appendices:

Appendix A – Integrated Impact Assessment