



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

CABINET STATEMENT

**TITLE: The National Waterfront Museum Swansea
Statement by Jenny Randerson, Minister for Culture, Sport and
the Welsh Language, pursuant to Standing Order 19.13**

DATE: 4th December 2002

I propose to authorise a Notifiable Transaction to which Standing Order 19.13 applies. The Notifiable Transaction involves a Transaction falling within Standing Order 19.16, namely the incurring of a contingent liability in this case by me issuing a letter of comfort to the National Museums & Galleries of Wales.

The National Waterfront Museum Swansea is a new company, having charitable status and limited by guarantee, with a Board represented 50.50 between the National Museums & Galleries of Wales, and Swansea City Council, and with an independent Chair. The Company is responsible for co-ordinating the financial package for the project and delivering the construction phase of the new Museum. Thereafter the Company will have an ongoing role in ensuring continued collaboration between the parties. The new Museum will be operated, however, by the National Museums & Galleries of Wales.

The total project cost of £30.8 million are to be met from financial contributions by the Heritage Lottery Fund; the partners themselves; Objective 1 funding; the Welsh Development Agency; the Wales Tourist Board; and by a fund raising appeal. The Welsh Assembly Government has set aside up to £6 million to meet any cash flow and other financial needs.

The Heritage Lottery Fund have agreed to provide a grant of £11.1 million to the project, subject to a grant agreement with the company. One of the conditions would place a joint and several liability on the partners to repay grant to the Heritage Lottery Fund in the unlikely event of the new museum closing within 25 years of its opening. This is a standard clause, which the Heritage Lottery Fund applies in relation to all its grants. The National Museums & Galleries of Wales have asked me for a letter of comfort of financial support from the Welsh Assembly Government in the event of them having to honour that liability. I propose to provide the letter of comfort for the reasons set out below:

- The risk of the new museum having to close is extremely remote, given that its development is being supported by a number of public sector bodies, and that its' long term funding will come from the Welsh Assembly Government as well as from commercial income.
- The maximum amount to be repaid would begin at £11 million in the first year. This liability would reduce gradually each year, as it is Heritage Lottery Fund policy to reclaim grant on a sliding scale – the longer a project has been running before closure, the lower the proportion of grant that has to be repaid.
- In the unlikely event of its closure, the new museum building would have a significant resale value given its very advantageous location (for example, for conversion into apartments). Any sum realised by such a sale would be put towards the repayment of grant and thereby reduce the call on the Assembly's guarantee.

By way of illustration only, if the museum were to close after 12 and a half years, the financial risk to be carried by the Assembly could be expected to be between £0 and £3 million. This is based on the need to repay grant of £5 million, offset by the proceeds of the sale of the building, which should release at least £2 million.

I consider that the likelihood of the failure of the project is remote; and that, even if it does occur, the potential budgetary implication for the Welsh Assembly Government is small.

On that basis, I propose to issue the National Museums & Galleries of Wales with a letter of comfort to enable them to sign the contract with the Heritage Lottery Fund.