



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Transport

Investigation: the Department for Transport's funding of the Garden Bridge

What this investigation is about

1 The Garden Bridge (the Bridge) is a proposed new pedestrian bridge and garden spanning the River Thames in London from the top of Temple underground station to the South Bank. The Department for Transport (the Department) and Transport for London (TfL) have each committed £30 million towards the scheme. The remaining £125 million is to be funded from private donations. Design, build and maintenance of the Bridge is the responsibility of the Garden Bridge Trust (the Trust), a registered charity set up specifically for this purpose.

2 This investigation looks at the Department's grant of £30 million towards construction of the Bridge. The Department is responsible for assuring itself that the grants it makes are spent with economy, efficiency and effectiveness and that proportionate steps are taken to protect the interests of the taxpayer.¹ The investigation covers:

- the Department's initial decision to provide grant funding to the Trust; and
- the Department's decision to increase, on three occasions, the amount of its £30 million contribution that it was willing to commit to before construction started on the project.

3 We are aware that several other organisations, such as the Charity Commission, are investigating aspects of the Bridge. We did not examine their work.

4 Our work does not assess the value for money of the project as a whole. It is limited to the portion of funding provided by the Department. The National Audit Office is not the auditor of TfL, nor is it the auditor of the Trust.

5 This report is based on documents received from the Department, correspondence with its officials and information published in the public domain.

¹ HM Treasury, *Managing Public Money*, paragraph 7.10 and annex 5.1, July 2013 with annexes revised August 2015.

Summary

Key findings

The grant funding to the Garden Bridge

1 The initial funding commitments to the Garden Bridge (the Bridge) project were made by the then Chancellor of the Exchequer (the Chancellor) to the then Mayor of London (the Mayor), without the involvement of the Department for Transport (the Department). In his 2013 Autumn Statement, the Chancellor announced that the government would contribute £30 million towards construction of the Bridge. This was subject to a number of conditions including the provision of a satisfactory business case. The Mayor was to contribute a further £30 million as part of a funding package to provide £60 million of public funding towards the project. The remainder, then estimated at £115 million, was to come from private sources. The Chancellor nominated the Department to administer the government's contribution (paragraphs 2.1 to 2.3).

2 In its assessment of the business case, the Department concluded that there was a significant risk that the Bridge could represent poor value for money. The Department assessed the business case against the criteria it uses to assess transport projects. It found that the monetised transport benefits arising from faster journey times were minimal. In the Department's view the Bridge was not predominantly a transport scheme, and as such did not align with any specific transport policies. Wider benefits, such as those associated with tourism, were considered highly uncertain (paragraphs 2.4 and 2.5).

3 The Department agreed to make the £30 million investment in spite of its concerns about the value for money of the Bridge. It chose to provide the contribution through an increase in its block grant to Transport for London (TfL). In its grant redetermination letter to the Mayor it set out a number of expectations about how the funding should be used. TfL would in turn make the funding available to the Garden Bridge Trust (the Trust) in phases, once certain milestones were complete. In this way, TfL became responsible for assuring and overseeing all of the £60 million public funding and for ensuring value for money for the taxpayer. The Department viewed this as a pragmatic way of fulfilling the Chancellor's commitment to the Bridge that limited the government's exposure to the project's unusual risks. It also simplified the Trust's arrangement for accessing public funding by allowing it to obtain this from a single source. In November 2014, the Department paid £30 million in full to TfL. This funding commitment to the project aimed to kick-start the fundraising efforts of the Trust (paragraphs 2.6 to 2.11).

4 Providing the funding through the TfL grant left the Department with limited oversight of its support to the Trust. The Greater London Authority (GLA) Transport grant is not ring-fenced and does not require TfL to provide a detailed breakdown of how it spends this funding. Instead, the Department's expectations are set out in an annual settlement letter. These expectations are not legally binding; however, the Secretary of State has the right to amend the level of the grant in current or future years, for example if TfL has not complied with the basis on which the grant was given. The Department relied on regular meetings with officials from TfL and the Trust for oversight of its £30 million contribution towards the Bridge (paragraph 2.13 and Figure 3).

5 The Department sought to protect taxpayers' money by imposing a cap on the amount of its funding that could be used for pre-construction activity. In a letter to the Mayor in November 2014, the Department stipulated that a maximum of £8.2 million could be spent on pre-construction works. Money spent before construction has started is at greater risk than money spent once a project is certain to go ahead (paragraph 2.12).

6 The Department subsequently relaxed this requirement on three separate occasions, despite considerable uncertainty as to whether the Bridge would be built:

- In June 2015, the Department agreed to increase the cap to £9.95 million. This was because the Trust faced cost increases of £1 million as it approached contract award and a funding shortfall of £2.5 million as much of the private funding could only be called upon once construction was certain (paragraphs 2.16 and 3.5 to 3.10).
- In February 2016, the Department increased the cap by another £3.5 million when the Trust let the main construction contract. The Trust let the contract before it had secured the site for the Bridge's south landing and therefore before construction could begin (paragraphs 3.11 to 3.17).
- In May 2016, ministers agreed to underwrite cancellation liabilities of up to £15 million for a limited period until September 2016, bringing the Department's total exposure to pre-construction losses to £28.5 million. The land acquisition issue was unresolved (paragraphs 3.18 to 3.26).

Officials from the Department advised ministers against increasing the Department's exposure for the second and third increases.

7 In accordance with his duties under *Managing Public Money*, the accounting officer sought a ministerial direction to give the Trust indemnity against cancellation liabilities. In giving support to this project the government expected that it would take on more risk than private donors. The accounting officer viewed the size and nature of the increase in government's exposure as materially different from what had gone before. The Department was at risk of losing up to £28.5 million with nothing to show for it as the Trust had not secured the land on the South Bank and it was not certain that the project would go ahead (paragraph 3.23).

8 The Secretary of State formally directed his accounting officer to increase the Department's pre-construction exposure for a limited period, citing wider benefits to the government's agenda and the London economy. He also believed that failing to support the project would increase the risk of cancellation and that providing support would maximise the likelihood of the government securing value for money. The Department agreed to underwrite cancellation liabilities of up to £15 million to September 2016 (paragraphs 3.24 and 3.25).

9 In August 2016, the Department agreed to extend its guarantee period indefinitely but reduced the amount it was willing to underwrite to £9 million. This reduced the Department's total exposure from £28.5 million to £22.5 million. It did this following an internal audit report of the Trust's finances commissioned by the newly appointed Secretary of State (paragraphs 3.27 to 3.30).

10 Since June 2016, the Department has received written monthly updates from the Trust on the status of the project and the steps being taken to address the main risks. These reports have included a narrative update on the way the Trust has managed key risks and some have contained a risk register. They have not contained standard project performance information such as progress against schedule and budget, nor have they contained information on the Trust's progress against fundraising targets (paragraph 3.26). These reports have been supplemented by discussions at the regular official-level meetings (paragraph 2.15).

11 When the Department made its decision to provide funding towards the Bridge, three of the four conditions set by the Chancellor as the basis on which the government would provide its funding had not been met. Of four conditions originally set, only one, that TfL would match the Department's funding of £30 million and release it to the Trust on an equal basis, had been met in full. TfL has now converted £20 million of its contribution to a loan. Their respective contributions remain equal but are provided on slightly different terms (paragraphs 2.2 and 2.17). Responsibility for ongoing maintenance of the Bridge, should the Trust not be able to raise sufficient funds, has not yet been agreed (paragraph 3.32).

12 There remains a significant risk that the project will not go ahead. The Trust has still not secured the land on the South Bank for the Bridge's south landing. This has impacted on the timetable (see **Figure 1**). The main contractor has been put on standby and construction is now expected to begin in the spring of 2017, approximately 18 months later than planned. In terms of risks to affordability, the Department's internal audit report identified a funding gap between the project's cost and levels of private investment (paragraphs 1.4 and 3.27 to 3.31).

- **The Department now stands to lose a maximum of £22.5 million of its £30 million grant, should the project not be able to proceed.** This consists of £13.5 million in costs so far to complete pre-construction activity, and a further £9 million of cancellation liabilities (paragraph 3.29 and figure 4).
- **If the project continues, it is possible that the government will be approached for extra funding should the Trust face a funding shortfall.** The project has faced cost increases and delays to the schedule. The pattern of behaviour outlined in this report is one in which the Trust has repeatedly approached the government to release more of its funding for pre-construction activity when it encounters challenges. The Department, in turn, has agreed to the Trust's requests (paragraphs 3.30 to 3.32).

Figure 1

History of the Department for Transport's funding of Garden Bridge

