

Agenda



Delegated Decisions - Leader

Date: Friday, 24 July 2020

To: Councillor Councillor J Mudd

Item

Wards Affected

1 Thematic Property Development Grant (Pages 3 - 16)

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Report

The Leader of the Council

Part 1

Date: 24 July 2020

Subject Cardiff Capital Region: Thematic Property Development Grant

Purpose To brief the Cabinet Member on the Newport element of the SE Wales Thematic Project, and to seek approval for grant awards to identified properties following a recent Expression of Interest.

Author Project Manager (Regeneration)

Ward Stow Hill

Summary Newport City Council has been successful in securing grant funding through a joint venture with nine Local Authorities that make up the southeast Wales Cardiff Capital Region (CCR). £10m of funding has been awarded through the Welsh Government Targeted Regeneration Investment (TRI) programme. This property development grant project forms part of the CCR Regional Regeneration Plan (RRP), which aims to support activity that will add economic, environmental and social value to the region.

Within the CCR RRP, Local Authorities identified projects of significance to both individual areas and the region, including a thematic project, to be delivered collaboratively across all ten Local Authority areas. The fund has been equally divided between all ten Authorities and aims to deliver property and site re-development in town centres, district centres, and local centre locations, including the re-development of vacant, under-used or derelict buildings and sites to bring them back into use for modern business purposes and new homes.

Following the roll out of the SE Wales Thematic programme, Newport City Council has undertaken an Expression of Interest, resulting in a number of potential projects that tackle vacant and/ or under utilised premises within the Northern Gateway part of the City, as defined within the City Centre Masterplan.

Proposal To approve the delivery of the Thematic Property Development Grant within Newport.

Action by Head of Regeneration, Investment and Housing

Timetable Immediate

This report was prepared after consultation with:

- Strategic Director – Place
- Head of Law and Regulations (Monitoring Officer)
- Head of Finance (Chief Finance Officer)
- Head of People and Business Change

Signed

Background

The Welsh Government launched its new regeneration framework, the Targeted Regeneration Investment fund (TRI), on April the 1st 2018, which replaces the Vibrant and Viable Places programme. The intention behind this programme being to scale up regeneration activity across Wales in order to facilitate the delivery of projects of 'regional significance'.

In SE Wales, the Cardiff Capital Region produced a Regional Regeneration Plan that set the strategic approach and regional priorities for investment for the region, identifying proposals for the delivery of TRI across the ten CCR Local Authority areas. Alongside the delivery of strategic projects such as Chartist Tower, the plan included the delivery of two thematic areas to deliver property and site re-development in urban, town centre, district centre, and local centre locations, including the re-development of vacant, under-used or derelict buildings and sites to bring them back into use for modern business purposes and new homes. The Thematic project is delivered on a local level by each of the ten Local Authority councils, with overall management of the Thematic Project at strategic level being undertaken by Rhondda Cynon Taf County Borough Council.

The two themes identified are:

1. Urban Centre Property Enhancement Fund (UCPEF)

This proposal offers potential applicants the opportunity to apply for a grant for new shop/commercial property frontage and associated external and internal works, the intention being to enhance building frontages and bring vacant commercial floor space back into beneficial business use. The grant would be available at an intervention rate of up to a maximum of 70% of eligible costs. The grant will support start-ups and growing businesses in the target areas.

2. Urban Centre Living Grant (UCLG)

Supporting the Urban Centre Property Enhancement Fund, the Urban Centre Living Grant will offer potential applicants the opportunity to apply for grant to undertake external and internal works to improve access to vacant or under-utilised space above shop/commercial frontages, with the intention of assisting owners to bring that space into use for residential purposes. The grant would be available at an intervention rate of up to a maximum of 70% of eligible costs, and will work alongside the Urban Centre Property Enhancement Fund and other schemes.

Local delivery of the SE Thematic

To support the thematic element of the CCR Regeneration Plan, Local Authority partners were required to submit a 'red line map' indicating their proposed target area. Newport City Council submitted a map outlining its proposed target area, which took in the city centre wards of Stow Hill and Victoria, aligned to the City Centre Masterplan. In order to maximise the impact of the grant, activity has been concentrated around High Street and Market Street, which ties in with other ongoing and emerging activity, complementing other key regeneration projects in the area such as the Information Station, Newport Market and the Market Arcade.

Properties along Market Street and the top end of High Street were identified, and have been targeted as part of a recent Expression of Interest round. Both leaseholders and owners were written to, providing details about the grant, and asked to submit an expression of interest, laying out their ideas for investment.

The Expression of Interest closed in September 2019 and identified a number of potential projects. Of the EOI's received, two were properties where the leaseholder and owner had submitted applications for different elements of the same property, therefore four EOI's for two properties. Subsequently, this has now reduced to two applications due to the owner of one property taking on the commercial works (originally submitted by the leaseholder), and the other applicant withdrawing (further details below).

The projects are:

| Property | Description | Outputs | Grant (£) ¹ |
|--|--|--|------------------------|
| 1. 14 High Street (Le Public Space) | An application has been received by the leaseholder to bring the 1 st floor back in to commercial use. | Jobs created Vacant premises brought back in to use | 72,000 |
| 2. 51/52 High Street (Slipping Jimmy's) | This property is Council owned, on a long-term lease. The leaseholder is currently in discussion to purchase the freehold of the property. The proposal is to bring the vacant upper two floors back in to use through converting into six studio apartments. Sound testing is being undertaken, as there is a pub / music venue on the ground floor. Should residential not be viable, the leaseholder proposes high quality office space. The ground floor (sublet) was initially the subject of a separate EOI, but the works are now being undertaken by the main leaseholder, and will entail a new shopfront in keeping with the heritage of the area. | 6 studio apartments or high grade office space New shop front to ground floor | 148,000 |
| 3. 49 High Street (The Greyhound) | The leaseholder is looking to upgrade the entrance, undertake internal improvements to ground floor, and open up some first floor vacant space. | Improvements to ground floor Opening up 2 nd floor Jobs created | 84,000 |
| 4. 17/18 High Street | Ground floor is currently occupied. Owner is looking to convert vacant upper three floors into residential apartments. | 6 apartments | 81,000 |
| | | Total | 385,000 |

Next Steps

Applicants are completing their full application, which requires drawing up proposals, going to tender and appointing contractors to undertake proposed works. Upon receipt of a completed full application, which includes award information, applicants will be able to start drawing down grant.

The Council's overall allocation has yet to be fully committed, and therefore a second Expression of Interest will be undertaken targeting the initial tranche of properties identified along with the remaining length of High Street, and a number of arterial streets off High Street. Details of the grant are available on the Council's website, and is promoted through the Business Services Facebook and Twitter accounts.

Should there not be sufficient interest to take up remaining grant, other locations and properties should be identified in consultation with the Cabinet Member. The following criteria would be used to inform Cabinet member's decision:

¹ Grant figures are estimated costs as provided within Expressions of Interest and are subject to change following detailed drawings, tender and award of contract.

- Location within the 'red line map'
- Proximity to existing or planned strategic projects
- Links to Councils proprieties i.e. included within City Centre Masterplan area.

Financial Summary:

The programme for the SE Wales region is to the value of £10,000,000. It was unanimously agreed between the 10 partner LA's that this be divided equally between the 10 Local Authorities with a small amount (3%) top sliced to manage the project at a strategic level. Rhondda Cynon Taf County Borough Council is undertaking the role of Lead Authority.

| | |
|---|------------|
| Regional Thematic programme | £9,700,000 |
| Strategic Management by RCTCBC (agreed as 3%) | £300,000 |

Each Local Authority has been allocated £970,000 (to be spent by March 2021):

| | |
|---|----------|
| Grant (split between the UCPEF and UCLG) | £920,000 |
| Management fee (drawn down proportionately at 5.4348% of grant spend) to cover management and delivery at a local level | £50,000 |
| | £970,000 |

Table 1: Newport Allocation

This is broken down across each year, and each theme as follows:

| Costs | Year 1 2019/20 £ | Year 2 2020/21 £ | Total | Notes including budgets heads affected |
|--------------------------------|------------------------|------------------------|-----------|---|
| Grant Total | 185,000 | 735,000 | 920,000 | |
| Management Fee | 10,054 | 39,946 | 50,000 | 5.4348% of total grant (£920,000) |
| Minimum Match funding required | 79,286 | 315,000 | 394,286 | Match funding calculated on a case-by-case basis as a % of each grant application. Overall match funding requirement is a minimum 30% of overall project. |
| Overall total | 274,340 | 1,089,946 | 1,364,286 | |

Table 2: Projects going forward

The figures listed below are based on a number of factors including a submitted expression of interest, and discussions with the applicants to date. These figures provide an initial indication of the grant committed to date, but are subject to change as each project is further developed and goes through a tender exercise.

| Property | Grant | Match funding | Intervention rate | Total | Grant |
|--------------------------------------|---------|---------------|-------------------|---------|--------------|
| 14 High Street (LePub) | 80,000 | 15,000 | 84% | 95,000 | UCPEF |
| 51/52 High Street (Slipping Jimmy's) | 153,000 | 75,000 | 67% | 228,000 | UCLG & UCPEF |
| 49 High Street (Greyhound Tavern) | 93,000 | 35,000 | 73% | 128,000 | UCPEF |
| 17-18 High Street (Anglian Windows) | 82,000 | 50,000 | 62% | 132,000 | UCLG |
| Total | 408,000 | 175,000 | 70% | 583,000 | |

Table 3: Summary of commitment

| Costs | £ | As % of grant allocation | Balance | Total |
|-----------------|---------|--------------------------|---------|---------|
| Grant committed | 408,000 | 44.35% | 512,000 | 920,000 |
| Management Fee | 22,174 | | 27,826 | 50,000 |
| Total | 430,174 | | 539,826 | 970,000 |
| | | | | |
| Match funding | 175,000 | | 219,286 | 394,286 |

The grant is offered on a sliding scale, with the expectation that projects of higher value provide a higher level of match funding, enabling smaller projects – where cashflow can be an issue for small businesses – to have a higher intervention rate and smaller match funding contribution. This is closely monitored to ensure the approved intervention rate of 70%/ 30% is achieved over the life of the project.

Financial Risk and due diligence

Upon completion of a satisfactory application form, an award letter is issued to the applicant along with terms and conditions of grant. These include a number of conditions that protect the grant and the Council:

1. To remove abortive costs, the award letter is not issued until the applicant has gone to tender and has awarded a contractor. Costs incurred before this date are eligible, but not paid until NCC have evidence this has taken place.
2. Appropriate due diligence is undertaken on each applicant/ property prior to issue of award letter.
3. Grant is paid upon completion of works, but can be paid out in interim instalments at the Council's discretion. This will be on defrayed costs.
4. Works will only be paid to the applicant upon receipt of a satisfactory certificate, independently valued by Newport Norse.
5. Welsh Government award conditions provided to RCTCBC and passed through to each Local Authority partner through its Service Level Agreement have formed the basis of the award letter, terms and conditions that each applicant signs up to.
6. The terms and conditions state that the property must be retained for 5 years following completion of works, or grant may be reclaimed. A leaseholder/ freeholder may sell on the lease/ freehold on condition that the terms and conditions are passed on to the purchaser, and that evidence of this is provided to NCC.
7. Properties will be subject to a 5-year legal charge, as required through the Welsh Government award letter.

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? |
|---|--------------------------------------|---------------------------------------|---|---|
| Impact on local economy as result of Covid-19 restrictions. It is unclear how the current government lockdown/ restrictions will affect local | H | M | We are working closely with applicants during the current lockdown restrictions to support their application process. Business Services are providing support and guidance for the UK and Welsh Government financial business support measures via the Councils social media routes, and direct one to one advice. Applicants are being directed to | Regeneration Manager |

| | | | | |
|---|---|---|--|----------------------|
| businesses in the long term, and their ability to take projects forward | | | these financial support measures, | |
| Unable to spend full Newport allocation within project timeframe | M | M | Undertaking additional awareness raising of grants through council website, social media. Target area has been expanded and properties will be written out to. | Regeneration Manager |
| Underspend in financial year (2019/20) | M | H | Timescales for approving the overall thematic project, along with ensuring SLA's and appropriate governance was in place between all ten LA's delayed the start of the project. Added to this, a project predicted to meet the 2019/20 spend target has withdrawn. We are in discussion with RCT to minimise the impact of this through internal management of the 10 LA budgets, with latest positions suggesting some LA's may exceed targets. | Regeneration Manager |
| Underspend in 2020/21 due to Covid-19. Lockdown measures have resulted in delays to projects starting works | H | M | We are working with applicants to get projects approved so they are in a position to start work as soon as restrictions are lifted, so as to maximise spend this financial year. Where projects have financial concerns we are working to get them to Planning approval stage; once restrictions are lifted, a decision can be made to go forward or not, however this will speed up the process should they continue. | Regeneration Manager |
| Not achieving match funding intervention rate requirement | H | L | The budget is being closely monitored to ensure the intervention rate is achieved in line with the 30% requirement. | Regeneration Manager |
| State Aid | M | L | Application forms require applicants to declare any previous support from public funds. | Regeneration Manager |
| Contractual liabilities | M | L | The Council is administering the grant as a third party to property owners/ leaseholders passing on financial and contractual risks and liability to the applicant. | Regeneration Manager |
| Failure to comply with | M | L | The grant award terms and conditions clearly state that grant | Regeneration Manager |

| | | | | |
|------------------------------------|---|---|--|----------------------|
| T&C's (applicant) | | | will only be paid against specific conditions, which will encourage applicants to abide by T&C's. NCC will closely monitor Projects. | |
| Failure to comply with T&C's (NCC) | L | L | RCTCBC have passed on their grant award terms and conditions through an SLA agreed between all ten partner Local Authorities. The SLA has been checked, agreed and signed by Head of Legal | Regeneration Manager |

Links to Council Policies and Priorities

The Newport City Centre Masterplan identifies the Northern Gateway as one of its three key target areas. This Thematic project specifically targets properties along Market Street and the upper end of High Street. In doing so, activity will dovetail with existing and planned activity in the area such as Market Arcade, and Newport Market, and completed activity such as King Hotel apartments.

The Council's Economic Growth Strategy is a ten year programme for delivering growth across the city through capital development. The Strategy particularly identifies maintaining focus on regenerating the City Centre, to become one of the UK's top cities, as a means of fostering an excellent economic environment within the city as a whole. This proposal directly contributes to Aim 2.3 (4) to Promote and support investment opportunities within the City centre to increase the number of people working, living and visiting the city centre.

Options Available and Considered

- i. To approve the list of projects received through the expression of interest, enabling them to be fully developed and draw down TRI grant funds
- ii. To not approve.

Preferred Option and Why

The preferred option would be (i) to approve the list of projects received through the expression of interest, enabling them to be fully developed and draw down TRI grant funds. The properties all fall within the target area, and are in close proximity to existing and forthcoming key Council projects. Any additional locations and properties which need to be identified in order to achieve full grant spend will be done in consultation with the Cabinet Member and in line with the approved criteria.

Comments of Chief Financial Officer

The £970k will be funded from Welsh Government grant funding, therefore there is no direct costs to the Council to agreeing to these projects and any match funding is provided by the applicants. Confirmation has been received that the spend not achieved in 2019/20 is able to be rolled forward into 2020/21.

Comments of Monitoring Officer

The proposed action is in accordance with the Council's statutory powers under Section 2 of the Local Government Act 2000 to provide financial assistance in order to deliver regeneration schemes which will improve the social, economic and environmental well-being of the area. The Welsh Government TRI funding has been awarded on a joint venture basis to the ten local authorities within the Cardiff Capital Region as part of the thematic Regional Regeneration Plan. There is a collective joint agreement which apportions the funding equally among the local authorities and Rhondda Cynon Taf are acting as the lead authority. Each local authority undertakes to comply with the WG grant conditions and to deliver the agreed outcomes for each approved grant project within their areas. The targeted area within the City

Centre is consistent with the City Centre Masterplan and existing regeneration objectives. The expressions of interest submitted by the relevant owners of the properties listed in the report meet the requirements for the grant objectives and, subject to satisfactory legal and financial due diligence on each scheme, then the funding can be approved. There should not be any issues regarding state aid as the levels of grant funding are below the relevant de minimis thresholds and the availability of the grant within the targeted area should not result in any unfair commercial or competitive advantage for the successful applicants. Because the Council has given a contractual commitment through the joint venture agreement to comply with the WG grant conditions, then these will need to be passed on to the grant applicants and secured by way of legal charges and restrictions against the title of the relevant properties.

Comments of Head of People and Business Change

There are no staffing implications to consider for this report.

The report writer has fully considered the Well-being of Future Generations (Wales) Act 2015. The appropriate section of the report details how the proposal supports the *sustainable development principle* and the *well-being goals*.

Comments of Ward Members

Cllr Al-Nuaimi

Generally speaking I welcome the availability of the grants and the thematic thrust stated in the report. Although having studied the projects, proposed going forward, there does not appear to be one single unified theme emerging. Perhaps the report could have been more specific on that. Is the desired theme to improve frontages or to bring empty floors into use or a mixture of both?

Response

The project is a mixture of both. The strategic theme has been set by the Welsh Government. Its aim is to deliver property and site re-development in urban, town centre locations with a focus on vacant, under-used or derelict buildings and sites to bring them back into use for modern business purposes and new homes. There are two themes (i) the Urban Centre Property Enhancement Fund which focusses on enhancing building frontages and bringing vacant floor commercial space back into beneficial use and (ii) the Urban Centre Living Grant which brings vacant space above commercial premises back into use through creating residential space. The grant also support external works to improve frontages and access.

Cllr Al-Nuaimi

Secondly, I'm surprised not to see more Eols, expressed by owners and leaseholders in these grants. As matters stand the grants appear to be under-committed.

Response

The report relates to the first EoI that occurred in September 2019. Since that time, a second round has taken place with further schemes coming forward. A further three schemes have come forward and with information received from two of them it takes our commitment to £745000. The remaining scheme is seeking circa £200000 bringing the scheme to full commitment.

Cllr Al-Nuaimi

Thirdly, are the grant final awards dependent on the completion and submission of finalised plans for the projects going forward? Specifically, and in relation to the projects going forward, I would like to make the following observations

Le Pub: I know the owner/leaseholder in a personal capacity, so will comment no further.

Response

Yes. To mitigate any risk for NCC applicants are expected to fully develop their schemes with the issue of the Final Award letter dependent upon the Award of Contract by the applicant to a contractor. Evidence of this must be supplied by the applicant.

Cllr Al-Nuaimi

51/52 High Street, though residential is preferred, I'm unclear as to what's meant by a high quality office space?

Response

High quality office space is a key driver of footfall and expenditure within town and city centres. The majority of the office space available within Newport City Centre does not meet modern expectations. The project therefore seeks to support the provision of good quality new or refurbished office space to improve the commercial performance of the city centre as a whole.

Since this report, the owner has re-evaluated the scheme and is pushing forward with his original plan of six apartments over 3 floors along with refurbishment of the ground floor.

Cllr Al-Nuaimi

17-18 Anglia windows fully supportive.

Greyhound: welcome the entrance improvement, not clear about what the extra space would be opened for.

Response

The first floor is to be opened up as an additional bar and function venue.

Cllr Al-Nuaimi

Finally if the grants remain under-committed might it be worth widening the scope to include Commercial Street?

Response

The scheme is again now fully committed. The focus of the grant is currently concentrated around High Street and immediate arterial streets to complement and add value to existing key projects, which are concentrated in 'Northern Gateway' area of focus and include the Indoor Market, Market Arcade and the Information Station.

A more dispersed area would inevitably see a reduction in overall impact. Commercial Street could form part of future targeted funding programmes should appropriate funding become available.

Scrutiny Committees

None

Equalities Impact Assessment and the Equalities Act 2010

The Equality Act 2010 contains a Public Sector Equality Duty which came into force on 06 April 2011. The Act identifies a number of 'protected characteristics', namely age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation; marriage and civil partnership. The new single duty aims to integrate consideration of equality and good relations into the regular business of public authorities. Compliance with the duty is a legal obligation and is intended to result in better informed decision-making and policy development and services that are more effective for users.

Children and Families (Wales) Measure

N/A

Wellbeing of Future Generations (Wales) Act 2015

The project has been developed in line with the Well-being of Future Generations Act. The following demonstrates how the Plan's objectives support the goals of the Act, and how it has applied the sustainable development principle (5 ways of working):

The scheme complies with the requirements of the Act, addressing the following key points:

1. Long term:

Welsh Government has indicated they expect TRI to be a rolling programme which therefore has the potential to attract significant funding over the period. The 10 CCR Authorities will therefore work together, via the regional officer working group, to develop a ten-year programme of project development and implementation, ensuring efforts and resources are focussed to achieve the desired outcomes.

2. **Prevention:**

- Significant opportunity remains in the **City Core** to target under-used sites and derelict, prominent buildings for housing and commercial developments
- The **Northern Gateway** area was identified as the focus for developing and expanding the provision of new grade A office development and live/work projects, and key buildings provide opportunity for diverse but complimentary uses, preventing them from dereliction and further decline.

3. **Integration:**

The Cardiff Capital Region Regeneration Plan has been specifically produced to meet and comply with the requirements associated with the Welsh Government's TRI Programme, aligning TRI and CCR funding streams to maximise economic benefit to the region. Locally, activity has been identified that complements both the CCR, and TRI outcomes. Priority areas have been identified that tie in with:

- NCC's Corporate Plan.
- The Council's 10-year Economic Growth Strategy which sets out the councils aims for the long term economic growth of Newport.
- Newport's Well-being Plan 2018-23: Objective 'People feel good about living, working, visiting and investing in Newport', and its 3 Economic Priorities

4. **Collaboration:**

The project has been developed collaboratively between the 10 CCR Local Authorities. It will be centrally managed by Rhondda Cynon Taf County Borough Council, but delivered at a local authority level. An officer working group is working closely with the lead to develop the project proposals and process.

5. **Involvement:**

Delivery of identified projects will require involvement of individuals. The Project Manager will be working closely with property owners and/ or leaseholders, supporting them through the application process and delivery of their individual projects.

The project is compliant with the well-being goals through improvements to economic, social and environmental aspects of Newport as follows:

- **Goal 1: A Prosperous Wales:** Regeneration of key town centres will support the goal of a prosperous Wales. Creating vibrant and attractive town centres will increase footfall and spend, supporting local business growth and an increase of local job opportunities. Increasing visitor numbers to the region will further support the goal of a prosperous Wales.
- **Goal 2: A Resilient Wales:** Regeneration projects improve quality of life for residents and contribute to feeling part of the community.
- **Goal 3: A Healthier Wales:** The provision of good quality accommodation will promote better health supporting the goal of a healthier Wales. Bringing empty properties into use or refurbishing poor quality housing will improve the housing offer across the region. Housing renewal and schemes that provide a more attractive environment and encourage activity will also contribute to the goal of a healthier Wales.
- **Goal 4: A More Equal Wales:** The project aims to bring empty property space back in to use through the provision of residential or commercial facilities. Additional good quality office space in the city centre provides greater employment opportunities, whilst city centre living provides residents with easy access to services and local employment. Increasing access to employment and better jobs can result in increased household income and in turn will provide access to further opportunities.

- **Goal 5: A Wales of Cohesive Communities:** Engaging businesses and local people in the development of the city will contribute to the development of a cohesive community invested in its future.
- **Goal 6: A Wales of Vibrant Culture and a Thriving Welsh Language:** Many properties within the city centre are rich in the heritage and culture of the area, which is reflected in the conservation of the city centre. The projects supported through this grant are required to appoint an architect with relevant heritage experience to ensure that any works are in keeping with the heritage of the area, which will help preserve and secure heritage property in Newport currently at risk of decay.
- **Goal 7: A Globally Responsible Wales:** Securing investment for south east Wales is generally positive for the local supply chain, and local businesses. Applying sustainable regeneration principles based around this engagement of local suppliers will ensure that the objectives contribute fully to a globally responsible Wales.

Crime and Disorder Act 1998

Section 17(1) of the Crime and Disorder Act 1998 imposes a duty on the Local Authority to exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area.

Consultation

None.

Background Papers



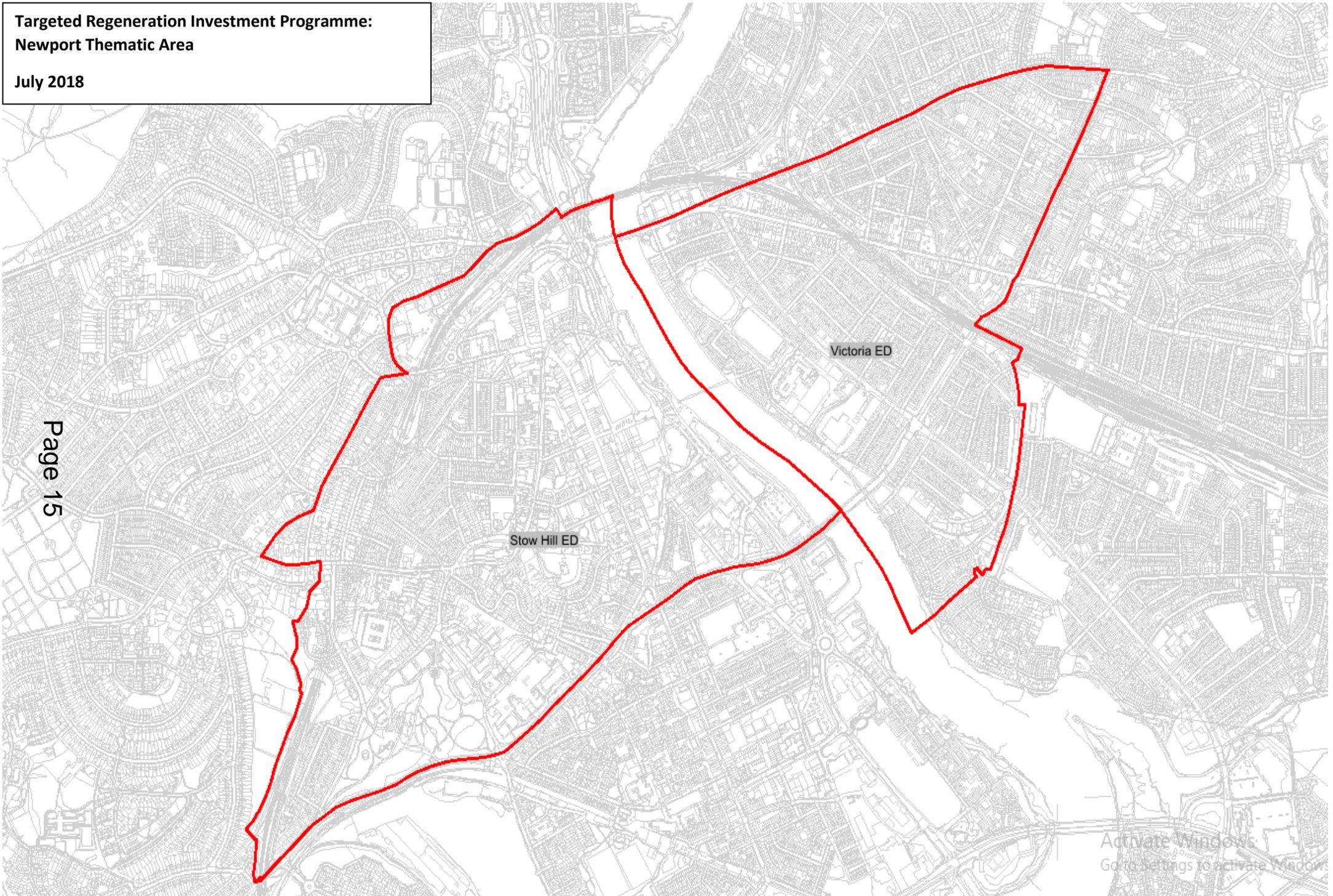
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Date: 24 July 2020

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**Targeted Regeneration Investment Programme:
Newport Thematic Area**

July 2018



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