

Report

Cabinet



Date: 14 June 2017

Subject **Agreement on the protocol for Joint ventures monies between Welsh government and Newport City Council**

Purpose To seek approval for a protocol on spending the Joint venture monies that have been accrued between Welsh Government and Newport City Council. Over a number of years a selection of joint ventures (eg old Town Dock / Alacrity House) between the two organisations have been agreed which has led to a significant sums of monies being accrued. This report sets out a strategic process, so that monies can be spent.

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Ward All Wards

Summary This report provides information on a protocol which will allow Newport City Council and/or Welsh Government to formally spend monies from the joint venture including revenue monies accrued from Alacrity House and Capital monies from Old Town Dock. The monies between both parties result from Newport Unlimited activities where it was agreed there would be a split on any income accrued within regeneration activities undertaken by (NU) Newport unlimited.

Proposal In order for Newport based economic regeneration projects to have access to the £2.6 Million accrued from Old Town Dock Development and Alacrity House Rent of £ 244,000 from the joint venture, there is a requirement to create an internal protocol, in order to satisfy our own audit requirements, but also Welsh government as a fund holder. It needs to be understood that Welsh Government have already committed to £150,000 for USW National Cyber Academy and £150,000 towards creating a digital hub that will come from the 2.6 million above. There is also further projects which may accrue profit (in the future) which we wish to capture within this proposal, these are:

- University Option land (south of campus)
- University Campus
- Land at Mission Court
- Land south of SDR
- Alacrity House – (further potential rental)

The order of this protocol:

External Arrangement

1. Cabinet approve the protocol
2. All funds would be spent on economic Regeneration activities within Newport, until such time as a new City Centre Masterplan is agreed.
3. A letter confirming Newport City Councils position is sent to Welsh Government to confirm this and agreement obtained from them in writing.

Internal Arrangement: Option 1

1. Approval sought from Infrastructure and Development Board / Welsh Government
2. Cabinet member report to the Cabinet Member for Housing and Regeneration setting out how it meets the City Centre Masterplan. (previously City centre economic regeneration)

Internal Arrangement: Option 2

1. Approval sought from Infrastructure and Development Board / Welsh Government
2. Cabinet report to be agreed by Cabinet setting out how it meets City Centre masterplan (previously city centre economic Regeneration)

Action by Head of Regeneration, Investment and Housing

Timetable Immediately

This report was prepared after consultation with:

- Head of Legal
- Norse
- Head of Finance
- Head of Regeneration, Investment and Housing
- Welsh Government
- Capital Finance Team
- Head of Law and Regulations
- Head of Finance
- Head of People and Business Change

Signed

1. Background

- 1.1 Newport City Council in partnership with Welsh government created Newport Unlimited in 2002. The organisation was in place to develop and deliver economic regeneration within the city for a 10 year period.
- 1.2 In order to achieve the aim of economic regeneration within the city a number of schemes were developed over the 10 year period.
- 1.3 Old Town Dock – is a mixed housing development in the ward of Pillgwenlly. The majority of the land and buildings were owned by Newport City Council, with a remainder of buildings needing to be bought. Once the land assembly was completed the opportunity was tendered to potential developers. As part of the agreed development 2.6 million was agreed as payment during the life of the scheme, the final payment is due in August 2017.
- 1.4 Alacrity House was rented as a business incubator Hub and to date has received net rent of £244,000 which is currently being held by the Council.
- 1.5 In future years there are parcels of land within the JV that could accrue profit, but the value and timings of these are unknown at this point and thus should be discussed at a later date.
- 1.6 To date no agreement has been reached by both parties on how and what the profit would be spent on.

2. Current Position

- 2.1 Welsh government have now approached Newport City Council (NCC) to agree a protocol, so that monies can be spent in Newport within a City Centre economic regeneration framework.

3. Financial Summary

- 3.1 See below the current capital receipts in relation to the JV, as highlighted in the report this is split 60/40 between Welsh Government and Newport City Council. The use of these receipts will be determined in the future as per this report.

Capital Receipts Held in relation to the JV	Balance b/f £	Receipts Received in Year £	Receipts Utilised in 2016/17 £	Balance c/f £
Balance b/f from 2015/16	609,376			609,376
Land at Old Town Dock receipt 2016/17		1,000,000		1,000,000
Total JV Receipts received	609,376	1,000,000	0	1,609,376
Anticipated receipt Land at Old Town Dock 2017/18		1,000,000		1,000,000
Total JV Receipts received and due				2,609,376

There is also revenue monies being held by the Council in relation to net rental received for Alacrity House, at the end of 2016/17 the value of this was c£244k.

4. 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?
Welsh government recall there 60% monies to be spent across Wales	L	L	Regeneration and Planning have been working closely with WG to agree a shared approach to these monies.	Keir Duffin Bev Owen
A protocol is not put forward by NCC	H	L	If NCC does not agree a protocol for Joint Venture monies there is an increased likelihood that WG would withdraw their element of profit accrued.	Keir Duffin Bev Owen
What if both parties cannot agree on the methodology of Economic regeneration within the city Centre and then City Centre Master plan as an assessment tool	H	L	NCC regeneration and Planning team have been working closely with WG on this and are confident that they are supportive.	Keir Duffin Bev Owen

5. Links to Council Policies and Priorities

5.1 20/20 vision / Newport Economic Strategy / City Centre Masterplan.

6. Options Available

6.1 To agree protocol 1

6.2 To agree protocol 2

7. Preferred Option and Why

7.1 Option 6.1 – To allow a more cohesive and time driven process around delivery.

8. Comments of Chief Financial Officer

8.1 As highlighted in this report, there are capital and revenue receipts which are being held by Newport City Council, in relation to a Joint Venture with Welsh Government. The use of these funds will need to be in agreement with Welsh Government. Subject to this agreement the use of these funds can be utilised to support the capital programme for future regeneration projects.

This report highlights the process in which the decision on the use of these will be made, further comment on the financial impact of specific proposals will be made when any proposal is put forward.

9. Comments of Monitoring Officer

- 9.1 The previous Joint Venture Agreement between the Council and Welsh Government has come to an end following the winding-up of Newport Unlimited. Therefore, there are a number of joint venture assets and capital receipts being held on behalf of the Council and Welsh Government. Under the terms of the previous agreements, most of these receipts are now held on trust for Welsh Government, as they are entitled to 100% of certain receipts and 60% in relation to other JV land and assets, based upon their previous financial contributions. The Council's individual share of the remaining JV joint receipts and assets is now much smaller. However, Welsh Government officials have now agreed to a further "pooling" of these remaining JV receipts and assets to ensure that the benefits can be ring-fenced and utilised for economic regeneration purposes in Newport. There are significant benefits to the Council in this arrangement as it would lever-in almost £3m of Welsh Government funding from the JV assets. Therefore, it is proposed that Cabinet agree to the JV receipts and assets being ear-marked and used for regeneration purposes in accordance with the preferred protocol agreed with Welsh Government officials. The preferred option is for Cabinet to agree to the establishment of this JV fund for regeneration purposes and in accordance with the City Centre Masterplan, once it has been formally agreed and adopted. The use of the JV funds for individual projects would then be subject to joint approval at officer level, through the Infrastructure and Development Board, and subject to this, they would need to be signed-off by the Cabinet Member for Housing and Regeneration and the Minister on behalf of Welsh Government. The use of this fund for regeneration purposes is in accordance with the Council's well-being powers under Section 2 of the Local Government Act 2000.

10. Comments of Head of People and Business Change

- 10.1 The joint venture capital receipts are a potential source of funding for the continued economic regeneration of the city centre, in a climate where capital funding availability is limited e.g. the current uncertainty over the future of the Vibrant and Viable Places programme. The Assessment of Local Wellbeing has indicated that city centre regeneration and business growth should remain a high priority in the forthcoming Local Wellbeing Plan. The agreement of a protocol with Welsh Government for the use of JV funds is supported.

11. Comments of Cabinet Member

- 11.1 I welcome the establishment of an agreed internal protocol for monies arising from the joint venture which will enable Newport City Council to invest these resources in economic regeneration within the City.

12. Scrutiny Committees

- 12.1 None undertaken.

13. Equalities Impact Assessment

- 13.1 Not affected.

14. Children and Families (Wales) Measure

- 14.1 Not affected.

15. Wellbeing of Future Generations (Wales) Act 2015

15.1 The Well-being and Future Generations (Wales) Act seeks to improve the social, economic, environmental and cultural well-being of Wales. Public bodies should ensure that decision take into account the impact they could have on people living in Wales, in the future. The 5 main considerations are:

- Long term: Funding regeneration schemes in the short term will enable the local economy to grow and sustain jobs and new housing in the longer-term, leading to a more prosperous and resilient Newport with cohesive communities and a more prosperous Wales.
- Prevention: Regeneration will prevent further decline in key parts of the City. Resultant new housing and job creation will help reduce housing need and unemployment rates leading to a more prosperous and resilient Wales.
- Integration: Improving the physical environment will make the City more attractive to investors and residents. Creating more jobs and housing will improve the well-being of Newport's residents by providing more equal job prospects and access to a range of housing. This will create more resilient and cohesive communities who are well served by suitable housing and employment opportunities.
- Collaboration: We work closely with other Council departments and external partners including Welsh Government to deliver regeneration priorities in Newport. This leads to a more prosperous and resilient Wales with more cohesive communities.
- Involvement: All the recommendations in this report fully support the findings of the recent Your Newport Survey. This helps develop a more prosperous, resilient Wales with sustainable and cohesive communities.

15.2 The proposal is in line with the Council's well-being objectives published in March 2017. Specifically, these proposals contribute to the following well-being objective:

"Promote economic growth and regeneration whilst protecting the environment"

16. Crime and Disorder Act 1998

16.1 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. This report does not have any implications on Section 17(1) of the Crime and Disorder Act 1998.

17. Consultation

17.1 Not applicable.

18. Background Papers

18.1 None