

Committee: **Regeneration Scrutiny Committee**

Date of meeting: **8<sup>th</sup> September 2020**

Report Subject: **Strategic Housing; CCRCD Viability Gap Funding**

Portfolio Holder: **Cllr D Davies, Executive Regeneration and Economic Development**

Report Submitted by: **Bethan McPherson, Team Manager**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
12.08.20	20.08.20	25.08.20			08.09.20	14.10.20		

## 1. Purpose of the Report

1.1 The purpose of the report is to:

- Outline the Cardiff Capital Region City Deal (CCRCD) Viability Gap Fund opportunity.
- Update on the current position in responding to the CCRCD Viability Gap Fund opportunity; including identification of potential development sites.
- Seek Scrutiny Committee support and Executive approval to progress business case(s) and associated work; in order to determine viability gap and support an application to CCRCD.

## 2. Scope and Background

### 2.1 CCRCD Viability Gap Funding opportunity

2.1.1 CCRCD have developed a £35million Viability Gap Fund, a targeted funding programme to bring forward new homes on key strategic housing sites across South East Wales. The fund is open to all 10 Local Authority areas within the region, with primary objectives to; unlock stalled sites that are unviable for housing delivery and enhance the long- term growth prospects and competitiveness of the region.

2.1.2 The capital investment is available to support Local Authority led applications, with specified infrastructure or remediation interventions that will assist in closing a proven viability gap, related to the identified site.

- 2.1.3 Whilst Local Authority partners must assume primary responsibility for the investment, funding can be awarded to sites owned by either the private or public sector, and sites in mixed and multiple ownership.
- 2.1.4 The Viability Gap Fund should be considered as a last resort, evidencing that all other opportunities have been exhausted and the development would not progress without CCRCD intervention.
- 2.1.5 CCRCD have outlined clear eligibility requirements that each LA and partners will need to satisfy when presenting development sites and submitting associated business cases, which are outlined within Appendix 2.
- 2.1.6 Submitted business cases meeting the eligibility criteria will be assessed and required to demonstrate; Value for money, overall cost of infrastructure / remediation capital investment required, a viability analysis which shows clearly the viability gap, an assessment of the connectivity impacts; and whether they will provide a commitment to providing for a portion of the site (target 10%) to be developed by SME developers.

## **2.2 CCRCD Viability Gap Fund – Revenue Funding**

- 2.2.1 The CCRCD have also made a small revenue fund (£500k) available to those LA Partners with limited capacity/resource, in order to support the preparation of capital funding applications.

## **2.3 CCRCD Viability Gap Fund Timeline**

- 2.3.1 The fund was originally intended to launch in April 2020, which has been delayed, with a revised timeline communicated;
- Fund launch – August 2020
  - Business case submission – Dec 2020
  - Decision – Jan 2021
- 2.3.2 The supporting revenue fund will be available and open to applications until March 2021. A maximum of 3 applications per LA are invited.

## **2.4 Blaenau Gwent position and potential sites**

- 2.4.1 This presents a challenging timeline within which to develop the business case and associated works to demonstrate a viability gap and need for CCRCD intervention (appendix 1 – draft application).
- 2.4.2 In recent years' private sector interest in progressing residential development has been limited in Blaenau Gwent, especially where there hasn't been a partnership approach and associated grant intervention. Aligned to the low demand, commissioning SI works (on BGCBC owned land) to determine viability has not been undertaken; and therefore is not readily available to support a submission to the fund.

2.4.3 Based on the eligibility criteria, the housing delivery group has considered known development sites and undertaken a broad assessment to identify those sites that in principle meet the fund requirements. These are identified in Appendix 2; With the Ashvale Site currently identified as the site most aligned to the criteria and in a position to progress.

2.4.4 Utilising the available revenue fund would assist in providing a dedicated resource to support the project delivery team in satisfying the viability gap fund requirements within the restricted timescales. To access the funding, match funding would need to be identified and a meeting with finance has been scheduled.

### 3. **Options for Recommendation**

3.1 RCSLT and CLT have identified option 1 as the preferred option

#### 3.1.1 **Option 1**

To note the Cardiff Capital Region City Deal (CCRCD) Viability Gap Fund opportunity; including the current position within Blaenau Gwent in respect of identifying potential development sites.

To endorse and recommend Executive approval of, continued exploration of the identified sites in order to determine the viability gap; and where appropriate progress business case(s) and associated work to support an application submission to CCRCD Viability Gap Fund.

#### 3.1.2 **Option 2**

To note the Cardiff Capital Region City Deal (CCRCD) Viability Gap Fund opportunity; including the current position Blaenau Gwent in respect of identifying potential development sites.

To recommend alternative sites for consideration, to determine viability gap; and where appropriate progress business case(s) and associated work to support an application submission to CCRCD Viability Gap Fund.

#### 3.1.3 **Option 3**

To note the Cardiff Capital Region City Deal (CCRCD) Viability Gap Fund opportunity; including the current position Blaenau Gwent in respect of identifying potential development sites.

Recommend that Blaenau Gwent does not pursue the development opportunity through the CCRCD Viability Gap Fund.

### 4. **Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan**

4.1 **Corporate Plan Priorities** Working with private developers and RSL partners to provide a variety of homes.

4.2 **Blaenau Gwent Well Being Plan** Providing safe, appropriate and affordable housing to local residents will underpin the 5 objectives outlined within the Wellbeing plan.

## 5. **Implications Against Each Option**

### 5.1 ***Impact on Budget (short and long term impact)***

5.1.1 There is a housing delivery group, led by Strategic Housing to take forward the work and potential submission to the CCRCD Viability Gap Fund. The capacity of the team is a potential risk; a submission to the available revenue fund could assist in providing additional capacity/specialist resource. To access the funding match funding is required (50% up to £25k); with options being explored with the finance team.

5.1.2 A further financial consideration is potential funding to undertake initial viability/SI works required in order to support the application. Some of these costs could be recoverable. Consideration to availability of funding from the BGCBC Capital Funding Programme will be required and discussions are scheduled with finance. Depending on the site, some of the costs may be met through private/public partners; or external funding opportunities e.g. TRI.

5.1.3 Some of the sites identified have associated Land Reclamation Grant repayable to WG, this has been highlighted to the CCRCD Project Team for consideration in terms of how it would work alongside any investment funding via the viability gap fund.

### 5.2 ***Risk including Mitigating Actions***

5.2.1 There are a number of risks associated with the options presented. This section outlines these risks and measures in place that seek to mitigate.

5.2.2 The timeline for preparing and submitting an application (based on known viability gap); and subsequent implementation on site is tight. Limiting the number of sites and selecting those ablest to progress at pace would assist in mitigating this risk. Ensuring appropriate resource (officers) would further mitigate the risk.

5.2.3 Agreement of strategic sites to take forward; not all development sites within Blaenau Gwent meet the fund criteria e.g. min number of units, deliverability and connectivity and have been discounted by the housing delivery group on this basis. To mitigate perception that development will not occur on those discounted sites, alternative approaches to progress will be explored.

5.2.4 Demonstrating a viability gap; a critical part of the submission is the ability to demonstrate a viability gap, which without CCRCD intervention would prohibit the site from progressing. There is a risk that the associated works will not identify a sufficient viability gap to support an application. In this circumstance, alternative approaches would be explored to bring forward

development e.g. open market private development, alternative funding including private finance, Social Housing Grant.

- 5.2.5 Developer engagement and agreement to work on an open book principle is a requirement of the Viability Gap Fund; willingness of developers to work on this basis may be a challenge, especially on sites where there is currently no developer engagement. Similarly managing land owner/developer expectations (value/profit) will be a further challenge. Positive and early engagement will be important to identifying appropriate and willing developers, in order to mitigate this risk.
- 5.2.6 CCRC promotion around the fund may stimulate interest from developer's/land owners of a given site, seeking to pursue the investment opportunity. Officers would manage these enquires on a cases by case basis; against known criteria and would report and new/additional opportunities.
- 5.2.7 Non submission; As areas such as Blaenau Gwent are a priority for the fund, not submitting an application may attract negative views/perceptions. Proactive exploration will help mitigate however noting the above risks will influence our ability to submit an application that meets the criteria and timescales.

### 5.3 ***Legal***

LA will be the lead partner, responsibility for administration including state aid compliance sits with BGCBC; as an authority will be required to ensure the necessary agreements are in place with identified partners. Legal support, advice and guidance will be required.

### 5.4 ***Human Resources***

Housing Delivery Group will oversee the work involved in developing an application and associated submission; utilising relevant departments as necessary (Regeneration, Planning Policy, Development Control, Estates, Tech Services, Procurement). Specialist resource would assist especially in satisfying the tight time lines.

## 6. **Supporting Evidence**

### 6.1 ***Performance Information and Data***

The key performance indicators are identified within the report and include; Units delivered, value for money, providing access to strategic employment centres

### 6.2 ***Expected outcome for the public***

New residential development within Blaenau Gwent  
Homes with good connectivity to employment opportunities  
Employment and Training opportunities  
Local business supply chains to support the local economy

6.3 ***Involvement (consultation, engagement, participation)***

CCRCD will be formally launching the Viability Gap Fund Opportunity, which may stimulate additional interest from land owners and developers to work with BGCBC to bring forward development. Engagement with existing partners on the identified sites will continue. Consultation and engagement would also form part of any planning applications associated with a given development site.

6.4 ***Thinking for the Long term (forward planning)***

The funding opportunity provides a stimulus to explore available development sites and determine a known viability gap, which can be addressed in order to develop new homes; meeting WG build targets and contribute to local aspirations (increasing local population, generating additional income for the Local Authority via Council Tax return)

6.5 ***Preventative focus***

The fund encourages the authority to determine a known viability gap for development sites; establishing this will enable the authority to explore the most appropriate measure to bring forward development in a timely manner.

6.6 ***Collaboration / partnership working***

To facilitate the opportunities collaboration with partners will be critical and may involve; Private developer's/land owners, Registered Social Landlords

6.7 ***Integration (across service areas)***

Housing Delivery Group consists of representation from Regeneration, Planning Policy, Development Control, Estates, and Housing Solutions. Pursuing opportunities to bring forward quality housing within Blaenau Gwent brings wider benefits and the need for close collaboration with other departments, not least Finance, Education, Social Services and Housing Solutions.

6.8 ***EqlA (screening and identifying if full impact assessment is needed)***

7. **Monitoring Arrangements**

7.1 CCRCD have identified governance and assessment procedures to administer the fund; including set deadlines.

Reports relating to any successful bid to the fund and associated timelines would be prepared and submitted.

**Background Documents /Electronic Links**

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