Vibrant and Viable Places
Regeneration Framework

Tackling Poverty Fund

Guidance for local authorities

June 2014
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1. Introduction

On 11 March 2013, we launched a new regeneration framework for Wales: ‘Vibrant and Viable Places’.

The framework sets out our vision that everybody in Wales should live in well-connected vibrant, viable and sustainable communities with a strong local economy and good quality of life. It should be read in the context of the Programme for Government and Wales Infrastructure Investment Plan.

We define regeneration as “an integrated set of activities that seek to reverse economic, social, environmental and physical decline to achieve lasting improvement, in areas where market forces will not do this alone without some support from government”.

The key message of the framework is that partners from across the private, public and third sectors need to work together to make sure that we obtain the maximum regeneration benefit from all investment programmes.

All local authorities in Wales responded to a request from the Welsh Government to submit Strategic Outline Programmes for targeted regeneration investment. In September 2013, following assessment of the initial programmes put forward, the Welsh Government announced that the following local authorities should be eligible for a ring-fenced fund aimed at tackling poverty, and that this should be deployed in the settlements put forward within the Strategic Outline Programme:

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>Funded Area</th>
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<tbody>
<tr>
<td>Blaenau Gwent</td>
<td>Tredegar</td>
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<tr>
<td>Caerphilly</td>
<td>Rhymney</td>
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<tr>
<td>Cardiff</td>
<td>Grangetown</td>
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<tr>
<td>Carmarthenshire</td>
<td>Llanelli</td>
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<td>Denbigshire</td>
<td>Rhyl</td>
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<td>Gwynedd</td>
<td>Caernafon</td>
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<td>Vale of Glamorgan</td>
<td>Barry</td>
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In April 2014 the Minister for Housing and Regeneration announced that each of these settlements would be eligible for £1 million in capital funding over the three financial years 2014-15, 2015-16 and 2016-17.

The Welsh Government has identified tackling poverty as a top priority, and the Tackling Poverty Action Plan set out the targets and milestones we want to achieve. Housing and regeneration has been highlighted as a key priority. If used effectively, this fund will help to reduce poverty and contribute towards other objectives in the Action Plan - improving experiences in early years; reducing the number of young people not earning or learning; reducing the number of non-working households; and improving healthy life expectancy.

The main aim of this fund is to tackle poverty by creating jobs, encouraging skills development, improving housing, providing facilities and helping people into work. Interventions must complement national and local anti-poverty programmes, including Communities First, Lift, the Community Facilities programme, Families First, Flying Start and childcare programmes. The target beneficiaries should be people on low incomes or dependent on benefits.

Other aims of Vibrant and Viable Places funding also apply:
- to revitalise and promote the sustainable development of town centres, coastal communities and Communities First clusters, making the most of their green infrastructure, heritage and historic character;
- to build sustainable and vibrant communities that are more prosperous, better educated and healthier; and
- to encourage wider investment in housing.

This guidance sets out how local authorities should apply for this funding.

All queries about this guidance should be directed to regenerationpolicy@wales.gsi.gov.uk or your local Welsh Government regional regeneration team.
2. Criteria for investment and eligible costs

Local authorities should put forward a project or programme of projects which is consistent with the case made in the Stage 1 Strategic Outline Programme. Projects may be adjusted from the original proposal in the light of the passage of time and the level of funding available.

The programme must be submitted by the local authority as lead partner and grant recipient, on behalf of a partnership of the public, private and third sectors (the local partnership). Responsibility for the process of selection and prioritisation of areas and projects rests with each local authority and its partners.

It is important that the state aid rules are considered from the onset of any proposal to ensure that proposed measures will be compatible with EU competition rules. (See http://wales.gov.uk/topics/businessandeconomy/stateaid/)

More detail on the process and timetable can be found later in this document.

Applications are welcome in English or Welsh.

Applications must:

- be based on clear commitments from partners to use their resources and levers to ensure successful delivery and sustainability, with the role, responsibilities and commitments of each partner set out to ensure that future governance and delivery are enshrined in the proposal;
- give consideration to opportunities (for example proximity to transport links and labour markets, the existence of heritage and landscape assets and commitment of partners to deliver a programme of change) and needs (for example the socio-economic conditions prevailing in the community including unemployment, benefit dependency, poor health, low educational outcomes and the combined effects of social disadvantage) of the settlement area;
- show how targeted regeneration investment will add value to other Welsh Government funding and contributions from other partners;
- demonstrate creativity and innovation in responding to well-evidenced needs and opportunities;
- lever in as much additional funding as possible – targeted regeneration investment is a budget of last resort which acts as a catalyst;
- be deliverable within the timescales quoted including adequate consideration of the mobilisation period (planning, procurement, recruitment etc);
- be compliant with the procurement rules; and
- have a clear exit strategy through which the objectives, outcomes and impacts specifically linked to the targeted regeneration investment are
met, and any ongoing resource requirements are met from other funding sources and revenue streams.

Programmes must:

- help people into work, either through job creation or by improving employability skills acquisition;
- complement, but not substitute for, mainstream funding;
- support targeted recruitment and training, and maximise community economic benefits making use of Value Wales Community Benefits guidance and tools;
- have clear commitment to sustainable development in terms of the balance between economic, social, cultural and environmental opportunities and constraints, together with long term viability; and
- have clear alignment with relevant commitments within the Programme for Government.

The programmes must be deliverable during the period 1 April 2014 to 31 March 2017. This fund may support projects which have a lifespan beyond this period, but we would not expect any grant awarded under this programme to extend beyond this period.

Eligible phases

Targeted regeneration investment can be provided to support the following phases of development:

- Feasibility and design work (no more than 10% of total budget, unless specifically agreed with Welsh Government)
- Physical works on new programmes and related activity
- Monitoring and evaluation (continuous throughout and beyond investment project duration)

All the above phases must relate to the same targeted settlement area.

The evidence from our policy review suggests that the best regeneration outcomes are achieved from effective partnerships that combine multiple skills and cross professional working. Applications need to feature public, private and third sector involvement from conception to completion. Consideration should be given to the use of innovative financial models, for example combining or replacing straightforward grant support with loan-based, recycling funding. An example of innovative finance modelling is at Annex 1.

Priority areas

The national outcomes for regeneration, which are closely aligned with those for Communities First, are:

- Prosperous communities
  A range of activities at the regional and local level will support:
    - improved levels of economic activity and more jobs;
- strong and diverse local economies with private, public and third sectors working together;
- well-connected communities supported by transport and broadband connections;
- sustainable use of the natural environment for local energy and food production;
- a thriving private sector and social enterprise;
- successful town centres and coastal communities; and
- a well-managed historic and natural environment contributing to the distinctiveness of Wales’ landscape and settlements with heritage and historic character conserved, valued and sustained.

• Learning communities
  Regeneration is intrinsically linked with the skills and capacities of individuals, families and communities. Regeneration interventions can also support:
  - a skilled and confident existing and future workforce;
  - a high aspiration local culture;
  - engagement with school, post 16 and adult learning opportunities;
  - clear opportunities for development of social and cultural capital and strengthening equality; and
  - a belief in a better future.

• Healthier communities
  The health and wellbeing of residents is central to the vitality of places. Regeneration activity will contribute to:
  - good housing which is affordable and provides tenure choice;
  - healthy and cohesive communities able to grow and work together;
  - safe and secure localities;
  - a sustainable and high quality local environment;
  - positive and inclusive local identities; and
  - well-planned, appropriately used and good standard buildings, amenities and facilities.

Examples of appropriate interventions for this fund can be found at Annex 2.

Applications should be able to show how more than one of these strands is being addressed through the interventions proposed.

Other funding

Welsh Government investment (including European funding) can be used to fund a maximum of 75% of eligible costs for each programme. This overall percentage is subject to further consideration, on a case-by-case basis in line
with the State Aid rules. Although all funding apart from Welsh Government targeted regeneration funding will count as investment levered in, any Welsh Government or European funding is not eligible to be counted within the 25% match funding required. Applicants should seek to lever in as much funding as possible from other sources.

We will work with successful applicants to secure European funding for those programmes that fit with the Welsh EU investment strategy and include eligible activities thus encouraging strategic fit and helping lever additional investment across Wales. For more information about the development of European programmes 2014-2020, see http://wefo.wales.gov.uk/programmes/post2013.

Applications must include evidence of how programmes complement and make use of existing funding, including links to other European-funded projects, mainstream expenditure and other investment.

Direct running costs, for example, of staff allocated to the successful execution of the scheme, can be considered as part of the financial contribution by the applicant. However, running costs can be considered eligible for VVP capital funding where the cost can be shown to be directly linked to the delivery of the approved programme. Such costs could include, but are not limited to, professional fees, evaluation costs and staff costs. It will be the responsibility of the applicant to demonstrate that only a reasonable proportion of such costs are charged against the VVP programme.

**Terms and conditions of funding**

All grants awarded through the process outlined in this guidance will be subject to standard Welsh Government terms and conditions, plus any specific conditions the Welsh Government may decide to impose on individual applicants. The Welsh Government reserves the right to withdraw any funding awarded at any stage if we consider that agreed key milestones and outputs are not being delivered.
3. Monitoring and evaluation

The following section sets out monitoring and evaluation requirements associated with the targeted regeneration funding. If projects are suitable for EU support, we will work with them to align requirements with the specific requirements set out EU legislation and by the Managing Authority (WEFO).

All monitoring and evaluation should be developed and conducted in line with the HM Treasury ‘Magenta Book’. See [http://www.hm-treasury.gov.uk/data_magentabook_index.htm](http://www.hm-treasury.gov.uk/data_magentabook_index.htm).

For guidance on community benefits (including supply chain and training outputs) and the Welsh Government’s measurement tool, see [www.buy4wales.co.uk/PRP/general/strategy/procstrat/communitybenefits.html](http://www.buy4wales.co.uk/PRP/general/strategy/procstrat/communitybenefits.html).

### Key performance indicators

A set of key performance indicators and their descriptions is attached at Annex 5.

The project schedule spreadsheet for applications (see below) requires estimates for the outputs against these indicators for all projects. They may not be appropriate for every project, but the four key national outcomes which must be completed for every project are:

- Investment levered in (split by private, public and third sectors).
- Percentage of spend retained within Wales-based supply chains.
- Net additional jobs created.
- People supported into work (including through targeted recruitment and training).

A project monitoring report will need to be completed for each project and updated on a monthly basis with regard to progress on delivery and outputs and spend to date.

### Additional indicators

We would expect each individual project / programme to present its own individual suite of outputs and outcomes for approval as part of any bid. However, project sponsors will also be expected to ensure that baselines against relevant indicators under the four key national outcomes are in place, and track these over the lifetime of the projects.

A Results Based Accountability approach (see [http://www.raguide.org/](http://www.raguide.org/)) should be used to link baseline data with project level indicators, and link those indicators with broader outcomes.

All projects must include budget set aside for evaluation work to be commissioned for the entire lifecycle of the project (ie from inception to post-
completion). The proposed monitoring and evaluation framework including appropriate timescales should form part of your application.

4. Process for developing and submitting an application

Local partnerships

Local authorities will be the lead partner and grant recipient for the purposes of the application. However, we will expect the programme to be planned and delivered through a partnership of public, private and third sector representatives and that appropriate engagement with Welsh Government (and UK Government where applicable) departments has taken place.

Local authorities will certify on a monitoring form for each project that equality and diversity has been embedded throughout the scheme development process, taking into account, disability, age, religion, gender, human rights, race and sexual orientation. The form will also require a statement on how the needs of the Welsh language have also been embedded, and that a Welsh Language Impact Assessment has been undertaken where appropriate.

Welsh Government regional regeneration teams will be available to help develop applications.

Application process

Please complete the project schedule spreadsheet provided with this guidance which requires for each project:

- An identifying number
- Project name
- A brief description of the project, its objectives and outcomes, in not more than 200 words.
- Profile of Tackling Poverty Fund grant draw down in 2014-15, 2015-16 and 2016-17 (best estimates).
- Profile of other funding contributing to the project in 2014-15, 2015-16 and 2016-17 (best estimates).
- Estimated outputs against each performance indicator.

Please also complete an outline business case by addressing the questions set out at Annex 4.

The project schedule and outline business case should be returned by Monday 23 June 2014.

The returned project schedule will be considered by officials from Homes and Places Division and other Welsh Government departments with a relevant interest. It will then be put to the Minister for Housing and Regeneration for a
final decision to offer grant on the proposals. We will work on processing your proposal as soon as it is received.

We will assume that the Strategic Outline Programme you put forward in Stage 1 of the Vibrant and Viable Places programme sets out the strategic context for your proposals, and how you will govern and deliver them. If there is any significant change, please provide a covering note alongside the spreadsheet.

If the Minister agrees to support the proposals, a grant offer letter covering the 3 financial years will be provided. You will then be able to begin delivery.

Prior to grant drawdown on any project, a detailed Project Information and Monitoring form will need to be completed, and updated monthly detailing progress against timetable, budget and outputs.
Annex 1

Innovative Finance

When the Welsh Government published the Wales Infrastructure Investment Plan for Growth and Jobs WIIP in May 2012, it made clear that there was a strong economic and value for money case for, in some circumstances, boosting resources available for investment in infrastructure in Wales through the use of innovative finance.

The case for innovative finance is considered particularly strong now because of:

- the imperative for investment to boost jobs and growth in both the short and the long term;
- the economic and other benefits of bringing forward much needed infrastructure projects which would otherwise be delayed by many years, or possibly not happen at all;
- the huge and sustained cuts in the Welsh Government’s capital budget, imposed by the UK Government;
- the arbitrary way in which the Welsh Government’s capital budget continues to be set through the Barnett formula, with no account taken of the need to invest in Wales;
- the relative lack of indebtedness (e.g. the annual revenue cost of PFI schemes in Wales, which is about one tenth of the level in Scotland – £100m per year in Wales, compared to £1 billion per year in Scotland); and
- the historically low cost of long term debt.

Outlined below are some examples of innovative financial initiatives that the Welsh Government has launched in the recent past:

- **Welsh Housing Partnership** – implemented in August 2011, this partnership with four Registered Social Landlords (RSLs) uses Welsh Government funding to lever investment by the Principality Building Society to provide affordable rental housing across Wales;

- **Land for housing initiatives** – for example, the Ely Mill project, which uses Welsh Government support to secure substantial private investment, will deliver approximately 700 homes over the next few years – around half of which will be affordable;
• **Local Government Borrowing Initiative: highways improvement** – this initiative, which enables local authorities to borrow to finance an agreed programme of investment, delivered almost £60m of additional investment in local roads in 2012-13 and will deliver around £170m by 2014-15;

• **the Welsh Housing ‘Bond’** – a new mechanism to support investment in social housing by RSLs through a long-term revenue funding commitment will enable investment of around £124m over the next three years which will deliver more than 1,000 affordable housing units;

• **Local Government Borrowing Initiative: 21st century schools** – building on the successful highways initiative, from 2014-15 this will inject up to an additional £200m into the 21st century schools programme and accelerate delivery by two years; and

• **completing dualling of the A465** – in December, the Welsh Government announced that it would be undertaking around £300m of investment in sections 5 and 6 of the A465 using a non-profit distributing PPP model. This will allow the entire dual carriageway to be completed before 2020.

A number of the financial models above are based on some form of joint venture between the public and private sectors. In this type of structure, non-dividend investment models are being explored in order to ensure value-for-money and to maximise the public benefits of investment.

**Other opportunities**

Other example of innovative funding mechanisms include:

• In terms of physical / development based regeneration, the **Ely Bridge Development Company** is an example of a social enterprise with an innovative business model that plans to deliver sustainable affordable housing on a key development site in Cardiff. It is based on a partnership between Welsh Government, the Principality Building Society and Cardiff City Council.

• There are various **innovative funding mechanisms that can be drawn down from financial intermediaries** to assist a wide range of regeneration related actions. These include Social Investment Bonds; Community Share Underwriting and Social Impact Bonds. Potential intermediaries include the Big Society Capital Group; Resonance Ltd., the Social Business Trust.

• **Projects in Wales** that have adopted, or might adopt, innovative funding mechanisms within sector specific areas related to holistic regeneration include:
• **Housing**: Moneyline Cymru (a Community Development Finance Institution); the Welsh Housing Partnership (Welsh Government / Welsh RSLs / Principality Building Society), which has generated significant levels of investment for social housing at intermediate rent.

• **Renewable / Community Energy**: Community Energy Wales has been established to provide the necessary practical, policy and financial support for communities to develop their own renewable energy generation and energy efficiency schemes.

• **Transport**: Consideration is being given to different and innovative business models that might be appropriate to fund rail electrification in South Wales; and in response to the future renewal of the Wales Rail Franchise.

• **Social Care provision**: The provision of care for the elderly and specifically respite care provision, are currently being taken forward incorporating international best practice in innovative financing and new types of organisational structures.

• **Local economic development**: there are numerous examples of new types of organizational models in Wales that have adopted innovative funding mechanisms to facilitate and deliver local economic development and regeneration. These include:

  • **Galeri Caernarfon Cyf** (formerly Caernarfon Town Trust), a not for profit community enterprise that supported the regeneration of the Walled Town area of Caernarfon; and has since established and managed the Galeri Creative Enterprise Centre.

  • **Menter Môn**, a third sector organisation embracing representation from the private, voluntary and community sectors and accessing a range of public, private and social enterprise funding sources.

In terms of replacing straightforward grant support with loan-based, recycling funding, the European Investment Bank confirms that loan funding is available for regeneration projects in Wales over the next four financial years.

Some of the other programmes of financial support outlined in this Annex might also include both direct grant and loan facilities.
Annex 2

Interventions

Examples

Please note that these lists are not exhaustive. We are looking for creative and innovative solutions to local needs, focused on tackling poverty.

- Increasing housing supply and quality, particularly where this increases residential zones and consolidates retail, including creating homes above commercial premises.
- Reconfiguration of local services and creation of service hubs.
- Provision of facilities that support people into work – e.g. training, employment support, childcare.
- Integration of training, employment support and childcare in the delivery of all solutions, for example by engaging workless people in training for construction skills.
- Interventions which improve health and well-being, complementing wider initiatives aimed at developing 'healthy towns' and creating urban environments that optimise health and well being, and therefore making citizens more able to work.
- Interventions that offer greater resilience to climate change, access to the green environment and environmental improvement and energy efficiency measures.
- Linking existing or new housing investment to better outcomes for residents in Communities First clusters.
- Investment and support to add value to activities funded through Communities First cluster plans.
- Interventions which improve health and well-being and therefore make citizens more employable.
- Opportunities to stimulate community based energy to tackle fuel poverty.
- Actions within and outside town centres which increases footfall within town centres, including making linkages with out-of-town developments to develop a complementary offer.
- Physical investment to improve the quality of public spaces within town centres and their hinterland.
- Provision of business accommodation.

Other considerations

Consideration could be given, in developing programmes, to:

- existing or emerging spatially focused strategies, for example major transport investment (particularly rail electrification), Enterprise Zones, Business Improvement Districts, destination management plans etc;
• holistic area based planning which takes account of the complementary roles of settlements, their historic character, and the connections between them;
• the role within the economy of truly iconic destinations;
• the impact of planned and future Health and Education capital investment and expenditure on services;
• opportunities arising from the WIIP and other planned infrastructure investment, any gaps, and potential to use green and blue infrastructure for economic renewal;
• opportunities for joint working across regions;
• the impacts of changes in non-devolved policy areas, for example welfare reform, on communities;
• the challenges facing specific equality strands, as well as Welsh language communities, and opportunities to promote equality and inclusive outcomes for all the citizens of Wales; and
• well planned and organised collaborative regional arrangements for promotion and marketing, in partnership with Visit Wales, which positively promote regeneration activity and demonstrate investment and tourism opportunities in Wales, as well as our country being a great place to live.

Applicants could also explore opportunities to create and sustain social enterprises as key agents of community resilience and local growth. Key issues include:

• supporting children, young people and their parents/carers (e.g. through play opportunities and provision of childcare);
• helping older people live independently in their communities (through social care);
• ensuring that resources are available and affordable (through food production and distribution, and energy efficiency and micro-generation);
• stimulating start-up social businesses;
• community transport;
• making better use of empty properties and owned by third sector groups; and
• supporting the creation of service hubs in communities.
Annex 3

Local partnerships

Local partnerships will typically include (although this will depend on local circumstances):

- Local authority (with appropriate senior level representation covering town centres, coastal community and Communities First service areas)
- Town/community council
- Registered Social Landlords
- Private sector housebuilders and/or developers
- Representatives of local traders and high street multiples
- Anchor and regionally important companies and/or other major local employers
- Further and Higher Education representatives
- Local Health Board
- Tourism representatives
- Environmental representatives
- Council for Voluntary Services and/or other third sector representatives
- Communities First cluster representatives
- Local transport operators
- Police
- Other community representatives
Outline business case template

Please provide a concise document (2-3 A4 pages) addressing the following questions:

1. What are the investment objectives (two or three maximum) and rationale for intervention?
2. How does the investment contribute to local and national strategies, especially those relating to poverty?
3. Who will benefit from the programme?
4. Will the programme continue beyond the three years of this Welsh Government funding? What is the exit strategy?
5. What are the major risks, including procurement risks, and what is your mitigation of them?
6. What approach will you take to the management and governance of the programme, including engaging stakeholders?