



CABINET - 3RD APRIL 2024

SUBJECT: CAERPHILLY FFOS CAERFFILI – WEFO FUNDING UPDATE

REPORT BY: CORPORATE DIRECTOR FOR ECONOMY AND ENVIRONMENT



1. PURPOSE OF REPORT

- 1.1 To update Cabinet on the submission to Welsh European Funding Office (WEFO) for funding towards the implementation of the Ffos Caerffili containerised market scheme and to recommend that the Council core reserves freed up by this process are reinvested into the Caerphilly Town 2035 programme.

2. SUMMARY

- 2.1 Caerphilly town centre is an established tourism destination, has excellent connectivity to Cardiff and the wider region and is a gateway to the County Borough from the south. The town is designated by Welsh Government (WG) as a town of strategic importance and in 2019 in recognition of this, CCBC identified a need for a placemaking plan to harness and focus this investment in a coherent manner. This placemaking plan, branded “Caerphilly Town 2035”, provides a bold vision for the town centre and identifies a series of projects/interventions that will help to achieve its goals over a 15-year period. The vision is ambitious and long term and includes a number of “corner stone” projects that have the potential to transform Caerphilly town centre and the role it performs in the Cardiff Capital Region. One of these projects is the redevelopment of the council owned Park Lane site for a containerised market, branded Ffos Caerffili.
- 2.2 The purpose of this report is to update Cabinet on the recent WEFO ERDF submission to deliver a modern containerised market. It also gives detail of the award made by WEFO, and specifically references the text in the business case which suggested that the committed Council contribution that would be freed is re-invested into Caerphilly Town 2035 projects to allow the momentum already gained on this wide programme of projects to continue.

3. RECOMMENDATIONS

- 3.1 Cabinet is requested to:

3.1.1 Acknowledge that the WEFO submission has been successful.

- 3.1.2 Acknowledge that up to £2m will be drawn down from WEFO for the project, releasing initial core contributions from both CCBC and WG Regeneration.
- 3.1.3 Approve the use of the released CCBC element, which could stand at £1.1m, to be reinvested into the Caerphilly Town 2035 programme.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure the continued delivery of the Caerphilly Town 2035 programme, and to comply with the submitted WEFO Business Plan for the Ffos Caerffili project.

5. THE REPORT

- 5.1 Caerphilly town centre is an established tourism destination, has excellent connectivity to Cardiff and the wider region and is a gateway to the County Borough from the south. The town is designated by Welsh Government (WG) as a town of strategic importance and in 2019 in recognition of this, CCBC identified a need for a placemaking plan to harness and focus this investment in a coherent manner. This placemaking plan, branded “Caerphilly Town 2035”, provides a bold vision for the town centre and identifies a series of projects/interventions that will help to achieve its goals over a 15-year period. The vision is ambitious and long term and includes a number of “corner stone” projects that have the potential to transform Caerphilly town centre and the role it performs in the Cardiff Capital Region. Caerphilly Town 2035 sets out a bold and comprehensive transformation of the town that will create an environment that meets the aspirations of the people of Caerphilly. The aims of the Plan are particularly relevant in the context of the recent dramatic global, national and regional challenges to the role and purpose of town centres as a result of the COVID 19 pandemic.
- 5.2 One of these cornerstone projects is the redevelopment of the council owned Park Lane site for a modern dynamic market. This site that holds a commanding position in the heart of the town centre, overlooking the castle and its southern moat is the first cornerstone project to reach delivery status, the new Park Lane market is leading the way in terms of physical regeneration in the town. This project delivers on at least 6 of the plan’s core ambitions and is key in establishing Caerphilly as a vibrant modern town in which to invest.
- 5.3 The need for a new Market was identified following the closure of the Market Hall on Pentrebane Street. Further to the preparation of a site options appraisal for a market by the multi-disciplinary consultants, the Council-owned Park Lane site was identified as the most appropriate location for its development. This facility will replace the now closed Market Hall in Pentrebane Street, which was aged and in a very poor physical condition and will add a strong new vibrant food and beverage offer to the town, as well as providing much needed smaller incubator units for businesses to establish themselves.
- 5.4 The new market will provide modified “shipping” containers in a high-quality environment for up to 28 new traders, including food and beverage, and additional space for some managed workspace. PV panels will be provided along with grass roofs and two electric vehicle charging points in the traders’ car park.
- 5.5 The use of re-focussed “shipping” containers was a deliberate choice to create a modern feel to the town to attract a wider audience. It is also a more sustainable, durable, recyclable and economic alternative to traditional building methods.

- 5.6 Once completed the Council will own the market. The Business model accommodates the appointment of an experienced Market Operator through an open and transparent procurement process, which has been undertaken and concluded during the period of construction of the market. The Operator will be responsible for the management of the market, with tasks including but not exclusive to attracting traders to the Market and, overseeing staff costs, site security, managing the general upkeep and maintenance of the facility and having responsibility for marketing the premises. The Operational Management Agreement is initially for the first three years to provide support for the establishment of the Market. Following this period, the Market Operator will be appointed under a lease for a longer period (circa 10 years) to enable longer term planning, promotion and development of the Market.
- 5.7 The costs of providing these management services will be financed from the gross rental income achieved from the development. This will ensure that the Market is maintained and repaired to a high standard during the lifetime of the project.
- 5.8 The project has an approved funding profile as outlined in the table below. There has been some 'project spend creep' due to some unforeseen drainage works which is envisaged will be covered through the Shared Prosperity Fund (SPF) and Welsh Government (WG) Transforming Towns funding.

TABLE 1 - Initial Funding Package

	£
WG Transforming Towns Grant	2,090,000
WG Transforming Towns Loan	600,000
CCBC Core budget	1,250,000
UK SPF	910,000
ERDF	
Total Project Cost	4,850,000

- 5.9 In the Autumn of 2023 WEFO put a call out to local authorities to determine if they were in a position to utilise ERDF Sites and Premises monies, as this programme measure was under-subscribed.
- 5.10 After positive dialogue with WEFO on the containerised market, CCBC submitted a full business case and delivery profile which outlined the following funding breakdown.

TABLE 2 – Proposed Funding Package

	WEFO Delivery Profile £
WG Transforming Towns Grant	1,190,000
WG Transforming Towns Loan	600,000
CCBC Core budget	150,000
UK SPF	910,000
ERDF	2,000,000
Total Project Cost	4,850,000

- 5.11 As outlined above, the ERDF business plan submission is for £2,000,000 which represents 41% of the project total. Costs incurred past 31st December 2023 have been deemed ineligible.
- 5.12 This submission has now been approved by WEFO and officers are liaising with them in order to present one full and final claim to draw down the funding.
- 5.13 WG Regeneration have insisted that any funding secured be used to unlock both CCBC and WG Transforming Towns (TT) current contributions. Effectively £1.1m will be used to reduce the CCBC core contribution to £150,000 whilst WG Transforming Towns contribution will reduce from £2,090,000 to £1,190,000.
- 5.14 The Council are making claims to WG under the TT programme against the project spend to date. This will continue until payment is made by WEFO against our claim. At that point monies drawn down from WG TT will be released back to WG Regeneration. A mechanism to allow this has been discussed and agreed with WG and CCBC Finance.
- 5.15 Whilst developing the business plan, there has been an ongoing iterative dialogue with colleagues in WEFO and WG. Throughout these discussions, the principal rationale for submitting a business case for a project that is already fully funded has been to add value to the wider regeneration goals of Caerphilly Town 2035. There has been an acknowledgement by all parties throughout the discussions that the £2m of WG and CCBC funding effectively freed up could be earmarked for reinvestment into Caerphilly Town 2035 projects by both CCBC and WG. The following extract from the business plan submission distils this conversation:
- “Should this option proceed, the CCBC core funding provision will be re-invested into the wider Caerphilly Town 2035 Placemaking Plan intervention, ensuring that the momentum of the operational investment is maintained. The money will be used to help achieve the eight wider investment objectives as set out earlier in the Executive Summary”***
- 5.16 Officers feel that Cabinet should be sighted on the fact that the business plan submission to WEFO indicates that the £1.1m being released by CCBC could be re-invested into the Caerphilly Town 2035 programme. Likewise, WG Regeneration will be doing the same. This will ensure that the momentum in achieving the key goals of Caerphilly Town 2035 continues at pace and that traction on project delivery continues.
- 5.17 This needs to be considered in the context of the work currently being undertaken as part of the place-shaping programme of Mobilising Team Caerphilly. It is important that the Placeshaping Board recognise that the funding received from WEFO will replace core funding already agreed by the council which could now be ringfenced specifically for remaining Caerphilly Town 2035 projects thus minimising future calls on the council capital programme for Caerphilly 2035 in the short term.
- 5.18 In order to comply with any future audit on the grant award that WEFO may undertake, it is imperative that the Council has in place a clear governance trail which shows that the Council has accepted the terms of the grant award and is comfortable to ringfence the freed-up monies to add value to the Caerphilly Town 2035 programme. It is anticipated that this will also give the confidence to WG Regeneration for their Panel to make a similar decision.

Timelines

- 5.19 As outlined above the scheme is on site and is due for practical completion in March 2024.
- 5.20 Claims can only be made against spend until the end of the 2023 calendar year. There is a need to present evidence of spend defrayment and a need to demonstrate that the project was delivered within the procurement rules set out by WEFO. Hence our claim submission and associated documentation will be scrutinised by WEFO's management Verification Team (MVT) Audit team as part of the verification process. The claim will be submitted late March and indications from WEFO are that it will not be dealt with by the MVT team for a further 3-4 months. It should be noted that scrutiny during verification could identify anomalies that may impact on the final award figure.

Conclusion

- 5.21 The excellent progress being made on Caerphilly Town 2035 and its constituent projects is very encouraging and the ability of officers to draw down monies from various sources should be applauded. However, there is now a need to formalise the use of the WEFO monies in a manner that complies with the expectations of WEFO and breeds confidence in Caerphilly Town 2035.

6. ASSUMPTIONS

- 6.1 This report assumes that the Council will submit one full and final claim to WEFO for this project and that post verification checks the Council will receive payment as the main beneficiary. This will then be split between the Council and WG Regeneration Department in a manner which reflects each party's percentage financial contribution to the scheme as outlined in Table 2 above.

7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT

- 7.1 The recommendations contained in the report will have a positive overall impact.

Link to IIA

8. FINANCIAL IMPLICATIONS

- 8.1 The Ffos Caerffili containerised market project was presented to Cabinet on the 19th October 2022 and more lately on the 8th March 2023. The Council, through these cabinet reports has allocated £1,250,000 of Council reserves to the Ffos Caerffili project.
- 8.2 As can be seen from the table in section 5, the Council will receive up to £2m funding from WEFO once the claim has been verified and scrutinised. The £1.1m of CCBC funds which will potentially be released by this funding ideally needs to be focussed on Caerphilly Town 2035 projects as outlined in the business case submission to WEFO.

- 8.3 It has been agreed by all parties (CCBC, WG Regeneration and WEFO) that the Council will continue to draw against WG TT funding until such time as the WEFO payment against the claim is made. This will require the Council to effectively pay back WG TT funding to prevent overpayment. A mechanism for this has been discussed and agreed in principle by all parties with CCBC Finance being fully sighted on it.
- 8.4 This injection of funding from WEFO means that the council's financial contribution to the Ffos project will be substantially less than originally envisaged, with the council only paying a small proportion of the overall costs associated with the project.

9. PERSONNEL IMPLICATIONS

- 9.1 There will be a need for CCBC Finance to support with the claim process. There has been and will continue to be a requirement for officers from a variety of internal departments within the Authority to dedicate time and energy to the projects identified in Caerphilly Town 2035. The Caerphilly Programme Manager along with CCBC Procurement team have had a fundamental role in driving the projects forward. As the project progresses, input from the Council's Communication Team, Town Centre Management Team and support services such as Finance and Legal will be required.

10. CONSULTATIONS

- 10.1 All comments received from consultees have been incorporated into the report.

11. STATUTORY POWER

- 11.1 The Local Government Acts 1998 and 2003.
- 11.2 Town and Country Planning Act 1990

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