

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

31 JANUARY 2017

REPORT OF THE CORPORATE DIRECTOR COMMUNITIES

EUROPEAN REGIONAL DEVELOPMENT FUND (ERDF) REGIONAL SCHEME FOR ENTERPRISE HUB DEVELOPMENT

1. Purpose of Report

- 1.1. The purpose of this Cabinet report is to seek approval to apply for and accept funding under the European Regional Development Fund (ERDF) Priority 4, Strategic Objective Four (P4SO4) (to increase employment through investments in prioritised local or regional infrastructure supporting a regional or urban economic strategy).

2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

- 2.1. This report supports the following corporate priorities:

- Supporting a successful local economy
- Smarter use of resources

3. Background

- 3.1. Bridgend County Borough Council has a successful track record of delivery of European Union (EU) funding projects and the current EU structural funds programme is currently scheduled to cover the period between 2014-2020.
- 3.2. The Welsh European Funding Office (WEFO) is now advising that all projects seeking funds through the current programme should consider accelerating their development.
- 3.3. There is therefore an opportunity to submit a project proposal for funding under the West Wales and the Valleys ERDF P4SO4– to increase employment through investments in prioritised local or regional infrastructure supporting a regional or urban economic strategy.
- 3.4. The types of activity which can be supported under this objective would include (but not be limited to):
- Business sites and premises including property development & land reclamation;
 - Investments in physical infrastructure such as tourism, culture or heritage assets; and
 - Enabling infrastructure such as local road investment to improve access where it is an essential component of an integrated scheme.

- 3.5. Following direction from the South East Wales Directors of Environment and Regeneration (SEWDER) and further endorsement by the Cardiff Capital Region (CCR) Programme Board, six neighbouring authorities are working together to develop a regional proposal for the funding available under P4SO4, namely:
- Blaenau Gwent County Borough Council (Lead)
 - Bridgend County Borough Council
 - Caerphilly County Borough Council
 - Merthyr Tydfil County Borough Council
 - Rhondda Cynon Taff County Borough Council
 - Torfaen County Borough Council
- 3.6. Any proposals submitted under the programme will take into account other strategic work taking place across the region, and should also link with relevant regional and national strategies and the recent report by the Cardiff Capital Region City Deal Growth and Competitiveness Commission.

4. Current Situation / Proposal

- 4.1. This Project aims to assist in the delivery of an integrated approach to targeted investment, which can help to support Small to Medium Enterprise (SME) growth, creation of microenterprise hubs and overall increase employment opportunities.
- 4.2. In 2016, an Operation Logic Table was prepared and submitted to WEFO by Blaenau Gwent County Borough Council in relation to the Project as an 'expression of interest'. This set out the initial principles and objectives for the Project, but it did not commit the Authorities to Project delivery at that stage. Following initial consideration, WEFO have now invited a full business plan for the Project and are due to inform of a deadline for submission shortly.
- 4.3. It is proposed that at a regional level the Project will include the following:
- Improved provision of business sites and premises
 - Aid in the reversal of conditions that have led to demonstrable market failure, unlocking marginal development opportunities
 - A reduction in the benefit claimant count
- 4.4. An integrated regional approach will be taken and each Authority will develop its prioritised action based on those aspects of delivery considered most appropriate from a range of activities connected to the themes in paragraph 4.3 of the report, subject to WEFO approval, such as:
- Investment in local and regional infrastructure to unlock the development of business sites and premises. This will help support growth through increasing the range and availability of employment floor space;
 - Demand focused development to support innovation and diversification, and therefore improve competitiveness through new products, technologies and processes;
 - Scope areas of opportunity to support new strategic sites and business clusters;
 - Investment and adaptations in under-utilised areas to support a series of networks and enterprise hot-spots (this can include installation of fixtures, fittings and IT infrastructure);

- Review conditions and work previously undertaken, such as previous scoping, feasibility or business planning, that have led to demonstrable market failure, such as local connectivity, access to public transport, position with localised hub and labour market conditions;
- Identify key physical infrastructure and projects which require enabling investment in order to unlock investment and development potential;
- Identification of under-performing infrastructure and key strategic business sites which could support growth and improvements in employment, housing and transport;
- Development of engagement plan for each of the projects to help partnership involvement, job creation and alignment with operation outputs and outcomes;
- Completion of all relevant consents, permits and planning permissions relating to individual developments will be obtained, prior to any works commencing; and
- Aligning to relevant procurement and EU State Aid Rules

4.5. It is recognised that infrastructure alone will not be sufficient to achieve the outcomes associated with this specific objective. Therefore, it is also proposed that as part of the operation there will be a range of activities which support the development of enterprise. Such activities could include, subject to WEFO approval, but not be limited to:

- Facilitating the development of micro-enterprise hubs which will assist in broadening opportunities for entrepreneurship and higher value business opportunities;
- Enterprise facilitation activities;
- Foster relationships with existing enterprise to create hosted areas of hotspot enterprise which develop clusters of business and stimulate shared working; and
- Supporting the development of in-region and in-Wales supply chains.

4.6. The performance of the Project will be monitored against the performance indicators for the priorities against the overall strategic outcome. In the case of Priority 4 – Strategic Objective 4 the performance indicators are split under the areas of overall results and outputs. The result will be a reduction in claimant count and the outputs will relate to land developed, premises created or refurbished, jobs accommodated and SMEs accommodated.

4.7. As part of the business planning process, the Authorities will work towards identifying which of these output indicators each Authority will contribute towards.

4.8. For Bridgend County Borough, it is proposed that the focus for investment will be primarily on the Science Park and the Innovation Centre but also include other aspects of the portfolio where relevant. Bridgend County Borough Council (BCBC) have commissioned Chartered Surveyors to undertake a challenge and review to identify targeted measures to be undertaken to enhance facilities.

4.9. It is proposed that the funding opportunity could support and complement the existing stock of employment sites in the area. The location offers undeniable attributes to potential occupiers. Such investment in our business sites and premises would support overall business growth through increasing the range and availability of suitable employment floor space within Bridgend County Borough.

- 4.10. Whilst there is a demonstrable market failure in some of the areas identified, it should also be noted that in some areas such as Bridgend County Borough there is the opposite market failure whereby there is evidence of a high demand for small / micro enterprise space which cannot currently be fulfilled. The increased economic impact will help to support building relationships and confidence with the private sector to invest within the region.
- 4.11. The Project would deliver against a number of key economic opportunities outlined within the Welsh Government's Economic Prioritisation Framework (EPF), which is used to guide the allocation of EU funds, 2014-2020. This will link with the targeted investment plans of Welsh Government through priority property interventions and would in turn benefit the overall economy and job market across the Cardiff City Region. In addition, the close proximity of the sites and premises to planned Metro stops/Hubs should be seen as key points of opportunity to support areas of employment growth.
- 4.12. Across the region there are also a range of European Social Fund (ESF) related activities taking place which would directly link or contribute towards achieving maximum added value from delivery of this operation.

5. Effect upon Policy Framework & Procedure Rules

- 5.1. None

6. Equality Impact Assessment

- 6.1. Screening has highlighted that no issues arise as a result of this report.

7. Financial Implications

- 7.1. In order to proceed with a regional bid for ERDF funding, the Authorities must identify a Lead Authority. Initially the Lead Authority would be responsible for the co-ordination and submission of the Business Plan on behalf of the participating authorities. Blaenau Gwent County Borough Council has indicated a willingness to assume the role of Lead Authority for the purposes of co-ordinating and preparing the business plan for the Project.
- 7.2. The Welsh European Funding Office has indicated that there would be an allocation under P4SO4 to take forward a regional scheme. ERDF funding available will be circa. £8,000,000. It is therefore currently anticipated that along with match funding of circa. £4,000,000 this would result in a total Project value of £12,000,000 across the six Authority areas.
- 7.3. The maximum value of the scheme for Bridgend County Borough Council is currently considered to be £2,000,000. It is currently considered that this will be made up of £1,300,000 ERDF grant and require a match funding contribution of £700,000 to draw down the whole of the available grant. The actual date of submission is to be determined by WEFO, and will be based on the final detailed cost from design work which is underway, and the level of match funding available at that time aligned to it.

- 7.4. Currently, match-funding of £400,000 has been identified from within existing Property Services budgets, which could draw down a £742,857 ERDF grant for a total Project value of £1,142,857. £200,000 relates to estimated capital expenditure on the Science Park which is due to be presented to Council for approval in March 2017, £75,000 relates to a bid to the 2017/18 Minor Works Programme, with the balance set aside in a earmarked reserve for refurbishment works within the Commercial portfolio where works are programmed to be undertaken over a two year programme.
- 7.5. Further opportunities are being explored to increase the match funding to the full potential of £700,000, including for example retrospective funding. The use of retrospective funding will have to be agreed with WEFO. Further work to scope and develop detailed costings, including the level of match funding, for the submission of final business plan will need to be agreed with the Section 151 Officer prior to submission, in accordance with the grants protocol. The business case will be based on the confirmed level of match funding at the date of submission.
- 7.6 The requirements of the funder will be such that evidence will be required to demonstrate that all necessary processes have been carried out and that all relevant notices, licenses, permissions and consents will be served and/or obtained to ensure compliance. This will include adherence with EU State Aid and procurement requirements. Support will be sought from BCBC legal department in relation to this compliance.

8. Recommendation

8.1. Cabinet is recommended to:

- 8.1.1 Support the proposal that Blaenau Gwent assumes the role of Lead Authority for the purposes of co-ordinating and preparing the business plan for the Project;
- 8.1.2 Authorise the Corporate Director, Communities, to develop the detailed business plan for the Project, including the match-funding requirement, focusing on the Bridgend Science Park and Innovation Centre (but also including other aspects of the portfolio where relevant) ; and
- 8.1.3 Authorise the Corporate Director, Communities, in consultation with the Section 151 Officer to submit the business plan based on the confirmed level of match funding at the date of submission and accept the resulting funding offer in line with the Council's Grant policy, and subject to being satisfied that any grant conditions attached to the offer of funding are acceptable.

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Background documents: None