

# BRIDGEND COUNTY BOROUGH COUNCIL

## REPORT TO CABINET

16 JUNE 2015

### REPORT OF THE CORPORATE DIRECTOR COMMUNITIES

#### SPECIAL REGENERATION FUND: CARRY FORWARD OF REVENUE BUDGETS

##### 1. Purpose of Report

- 1.1 To seek Cabinet approval for changes to the management of the Special Regeneration Fund (SRF) revenue budget to facilitate greater leverage of external funding.

##### 2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

- 2.1 The Special Regeneration Fund (SRF) is primarily used to lever additional resources from European and external funding programmes for regeneration activity in support of the Council's corporate priority themes as follows:
  - Corporate Plan 2013 – 2017: Priority One – Working Together To Develop The Local Economy;
- 2.2 The SRF is also particularly important in funding interventions to help meet the priorities within "Fit for the Future", the 2008 – 2021 regeneration strategy for Bridgend County Borough.

##### 3. Background

- 3.1 The SRF was established by the Council in 1999/2000 following the discontinuation of the Strategic Development Scheme (SDS) by the Welsh Office and the integration of SDS funding into the mainstream budgets of local authorities with no conditions attached to the funding. There is an allocation for both revenue and capital expenditure.
- 3.2 Since 1999/2000, the SRF revenue budget has been unchanged at £334,000 per year.
- 3.3 Over the last 10 years, the SRF has been targeted at meeting the priority programmes of successive partnership-based regeneration strategies. At all times, leverage of European and other external funding has been one of the key criteria for allocating the SRF capital and revenue money. During this time, the range of external funds matched to SRF support includes:
  - EU Objective 1 Programme 2000-2006
  - EU Convergence Programme 2007-2013
  - Rural Development Programme 2007-2013
  - Welsh Government:
    - Local Regeneration Fund
    - Physical Regeneration Fund

- Targeted Match Fund
- Environment Programmes
- Community Facilities & Activities Programme
- Western Valleys Strategic Regeneration Area
- National Lottery:
  - BIG Lottery Fund
  - Heritage Lottery Fund
- Wales Tourist Board/Capital Region Tourism
- Cadw
- Private sector/voluntary sector contributions

3.4 The combined investments have strengthened the ability of the Council and its partners to drive local regeneration and helped deliver significant economic and social benefits to businesses, individuals and communities within Bridgend County.

3.5 The leverage of external funding with BCBC money varies considerably from programme to programme. For example, the leverage on Green Shoots was 8.5 to 1 (£27,134 of SRF pulled down £230,537 of Rural Development Plan (RDP) money). The leverage on the Maesteg Market project was 9.4 to 1, with £240,000 SRF pulling down a further £2.26million of European and Welsh Government funding, and for Bridgend town centre convergence funding it was 15 to 1, with £520,000 SRF pulling down a further £7.8million of external funding.

3.6 However, analysis shows that the leverage ratio for SRF **capital** funding has been consistently higher than that achieved on SRF **revenue**. This is because the availability of SRF capital funding has provided some degree of continuity in supporting European/external funding bids and flexibility in being able to manage resources across financial years to meet varying delivery profiles of EU-funded projects. This has allowed the Council to access major funding opportunities from large-scale regeneration programmes, such as the European Convergence and RDP programmes for the period 2007-2013, by pooling match funding across a number of years.

3.7 However, the same level of flexibility has not been available for SRF **revenue** funding which has been managed on a year-by-year basis.

#### 4. Current situation / proposal

4.1 In November 2014, Welsh Government launched the next round of EU Structural Fund and RDP programmes for the planning period 2014-2020 with implementation of projects able to run up to 2023.

4.2 Over the past 18 months, Council officers have been working collaboratively with other local authorities in south-east Wales to prepare regional project proposals for the next round of EU Structural Fund programmes 2014-2020. This project development work through South East Wales Directors of Environment and Regeneration (SEWDER) task and finish groups is focused on the following areas:

- business support
- social enterprise
- urban/town centre regeneration

- tourism and destination management
- green energy (including local proposals under the Energy Technology Institute (ETI) smart systems and heat programme)
- employment support
- youth attainment and employment
- rural economy

- 4.3 Further progress in several areas requires guidance from both WEFO and Welsh Government departments on how regional activities complement national and other activity and on the availability of match funding.
- 4.4 At its September 2014 meeting, Cabinet approved proposals to support local participation in the RDP for Wales 2014-2020 with match funding to be sourced from both SRF capital and revenue provision through to March 2019. This is likely to be the first of a series of proposals seeking match funding in support of European project applications over the next 12-18 months.
- 4.5 Under the current Convergence and (RDP) programmes, the SRF has been critical to the Council's participation in projects because it is the only resource specifically targeted at match funding external grants for regeneration projects. As the Council's own financial position becomes more constrained and increasing the level of funding for regeneration will be very difficult, it is important that all opportunities are explored to maximise the leverage value of SRF.
- 4.6 It is proposed, therefore, that the flexibility to carry forward the SRF capital budgets across financial years as a result of Council's approval of slippage is extended to the SRF revenue budget. This will ensure that the available resources are used strategically to fit with other external funding timescales and that resources allocated for regeneration are not lost or under-utilised as a result of inflexibility in the financial mechanisms operated by the Authority. In order to achieve this, it is proposed that a SRF Equalisation Reserve is created. This will cushion the impact of activity levels by allowing underspends on the SRF to be carried forward.

## **5. Effect upon Policy Framework & Procedure Rules**

- 5.1 Under Part 4 of the Constitution Financial Procedure Rules, the Chief Finance Officer can agree to the carry-forward of revenue underspends as long as the future expenditure is contained within the approved cash limit for the current and future years.

## **6. Equality Impact Assessment**

- 6.1 There are no Equality Impact Assessment implications in this report.

## **7. Financial Implications**

- 7.1 The SRF annual revenue support budget will be maintained at the current level of £334,000, subject to the normal budget process that is needed to ensure a balanced Medium Term Financial Strategy. At year end, in accordance with the Financial Procedure Rules, the Chief Finance Officer will carry forward any underspend within an Equalisation Reserve. Any overspend in subsequent years that cannot be met

from the in-year SRF budget or the balance on the Equalisation Reserve will need to be met from the Communities Directorate budget.

## **8. Recommendations**

- 8.1 Cabinet is recommended to authorise the establishment of an Equalisation Reserve for the SRF revenue budget to be operated as a ring-fenced allocation with carry-over of resources for the purposes of maximising the leverage of external funding, based on an annual approval by the Chief Finance Officer.

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