



Belfast City Council

| | |
|---------------------------|--|
| Report to: | Strategic Policy and Resources Committee |
| Subject: | Capital Funding – European Regional Development Funds (ERDF) Tourism Development Scheme Funds (TDS) |
| Date: | 23 September 2011 |
| Reporting Officers | John Mc Grillen, Director of Development Gerry Millar, Director of Property and Projects Ronan Cregan, Director of Finance and Resources |

| | |
|------------|--|
| 1.0 | Purpose |
| | <p>The purpose of the report is to inform Members;</p> <ul style="list-style-type: none"> • of the potential to secure funding for capital projects from the European Regional Development Fund (ERDF) and Tourism Development Scheme (TDS) • of the deadlines which are associated with applications to the fund; • and to seek agreement on applications for projects within the deadlines set by DETI and NITB |

| | |
|------------|--|
| 2.0 | Background |
| | <u>ERDF</u> |
| 2.1 | <p>The European Regional Development Fund aims to strengthen economic and social cohesion in the European Union by correcting imbalances between its regions. In short, the ERDF finances:</p> <ul style="list-style-type: none"> • Direct aid to investments in companies (in particular SMEs) to create sustainable jobs; • Infrastructure linked notably to research and innovation, telecommunications, environment, energy and transport; • Financial instruments (capital risk funds, local development funds, etc.) to support regional and local development and to foster cooperation between towns and regions; |
| 2.2 | <p>The current ERDF Programme runs until 31 December 2013. This in effect means that for a project to be eligible for funding, all approvals must be obtained and match funding committed by 31 December 2013, however actual spend on the project can be incurred beyond this date so long as all expenditure is completed by 31 December 2015.</p> |
| 2.3 | <p>The Programme in Northern Ireland is administered by the SEUPB, however DETI acts as the Managing Agent for a major element of the programme, the Sustainable Competitiveness Programme which is designed to support the creation of sustainable employment particularly in the SME Sector.</p> |
| 2.4 | <p>When the BSP was originally devised a “Local Economic Development (LED)” Measure was</p> |

| | |
|-----|--|
| | included within the programme. This equated to a sum of £22m which was ring-fenced for applications from local Councils. In order to access this funding projects had to be led by a local authority and match funding of 50% made available from other public sources. At the outset it was envisaged that this match funding would come from the local authority. Since the commencement of the programme in 2007 there has been a limited drawdown from the fund, mainly due to the fact that Councils have not been in a position to make match funding available. Belfast City Council has been the exception and has drawn down an average of £600k per annum over the period to match fund its economic development programmes. |
| 2.5 | In order to maximise the drawdown from the BSP Invest NI agreed last year to match fund any application from councils which aligned with its corporate objectives. In effect this means that Councils can obtain 75% external funding for any project which meets the criteria for the fund and is aligned with Invest NI objectives. Despite this incentive the financial pressure being experienced by councils has meant that the BSP fund is still substantially under-committed. |
| 2.6 | <u>TDS</u> The Tourism Development Scheme is essentially the programme devised by NITB to allocate capital funds made available from the Executive Budget to tourism related capital projects. The TDS is a competitive process and requires applicants to make bids for funding from the scheme. It is anticipated the scheme will open for a period of six weeks for applications in late September and will seek applications for funding between now and December 2015. It is expected that any application for funding for projects which the council might wish to deliver during this period will have to be submitted during this funding round. It is unlikely that successful applications will receive more than a 50% contribution from the TDS towards the capital cost of the project concerned. |

| | |
|-----|--|
| 3.0 | Key Issues |
| 3.1 | <u>LED Measure</u> There is a substantial risk that a large proportional of the £22m under the BSP may go unspent and as a result lost to Northern Ireland. As a result the Minister for Enterprise, Trade and Investment has written to Councils setting a deadline of 30 October 2011 for applications to the LED programme which would require programme spend before December 2013. The letter requires proposals to be “clearly defined, robust and fully costed”. The letter also makes it clear that any deficit on the £11m profiled for expenditure in that period will be reallocated to other economic development activity. A similar deadline of 30 September 2012 been set for expenditure of £10m profiled for 2014 and 2015. |
| 3.2 | The letter referred to above also informs councils that Invest NI will take on the role of Managing Agent for the LED Measure for the remainder of the Programme. |
| 3.3 | An opportunity clearly exists to draw down substantial funding towards programmes which meet with the economic development priorities identified by elected members and are aligned to Invest NI corporate objectives. In addition to this there is the potential to obtain match funding of up to 75% for economic development related capital projects which the Council might wish to invest in, either through its Capital Programme, City Investment Fund or Local Investment Fund. |
| 3.4 | At the Place Shaping Workshop on 17 August 2011 members prioritised a number of capital projects, two of which have been the subject of discussion with senior officials in Invest NI, namely the development of a Green Economy Business Park at the North Foreshore and an Innovation Centre at Springvale/Forth River. Invest NI have expressed a willingness to financially support both of these projects subject to the Council submitting viable proposals for their development and their being no displacement issues for existing premises and businesses. |

| | |
|------|---|
| 3.5 | The Director of Property and Projects has engaged BDO Stoy Hayward to complete an Economic Appraisal for the development of a Green Industry Park at the North Foreshore. This is due for completion in late September. At this point the cost of any potential project is not yet known however the Economic Appraisal could form the basis of a project proposal, with associated costs, for submission to Invest NI by the 30 October 2011 deadline. |
| 3.6 | Over the past 3 months the Director of Development has also been in discussion with Invest NI and the Falls Road based Local Enterprise Agency, Ortus Ltd with a view having Ortus develop a business case for the development of an Innovation Centre at the Forth River Business Park on the Springfield Road. Again it is anticipated that a submission could be made by the 30 October deadline. |
| 3.7 | In addition to the above Invest NI are keen to work in partnership with BCC to develop a Digital Hub in Belfast similar to facilities which have been developed in other cities such as the Digital Hub, Dublin, the Match Factory in Liverpool and the Custard Factory in Birmingham. Each of these facilities have been hugely successful in promoting digital technology based enterprises in their respective cities. The promotion of the creative industry sector has been identified as a priority by members of the Development Committee at their workshop on 12 August and an area of competitive weakness in Oxford Economics comparative analysis of Belfast with other cities. |
| 3.8 | At this point in time numerous organisations and locations have expressed an interest in housing this facility. Potential locations include Crumlin Road Gaol, Carlisle Memorial Church and Conway Mill amongst others. This is a project for which we would intend working up a proposal in partnership with Invest NI between now and the deadline of 30 October. Until such a proposal is fully developed it is not possible to establish the full costs of such a project however an indicative cost of £4m would not seem unreasonable. It is expected that the contribution required from the council would be around £1m. |
| 3.9 | In addition to the capital projects identified above Economic Development Officers are anticipating that the Council will receive requests for financial support for capital projects from other third parties in the near future. These include North City Business Park which is considering the development of an Enterprise Centre at the former Grove Baths Site and the Argyll Business Centre which is seeking to expand its facilities on the Shankill Road. It is unlikely that these proposals will be fully developed in advance of the 30 October deadline but there will be a further opportunity to make bids in advance of the 30 September 2012 deadline. |
| | <u>Non LED Funding</u> |
| 3.10 | In addition to the LED measure SEUPB can allocate funding to other economic development activity outside of the “LED Measure” referred to above. One project which has been earmarked for ERDF funding by NITB is the proposal to extend the Waterfront Hall to incorporate conference and exhibition facilities. This project was also identified as a priority by the elected members at their Place Shaping workshop on 17 August 2011. |
| 3.11 | NITB has informed the Director of Development that £10m of ERDF funding has been provisionally set aside to part fund such a project. A further bid of £2m to NITB’s Capital Budget is also likely to be successful . FGS Mc Clure Watters are currently completing the Business Case for this project and is due for completion in mid- September. The projected cost of the preferred option is estimated at around £16m, excluding fit out and professional fees. Project Management Staff in Projects and Properties estimate a total project cost of £19m-£20m. |
| 3.12 | During a recent meeting as part of the economic appraisal process, executives from the NEC suggested that if the Waterfront Hall was to re-focus its business on conferences as opposed to entertainment much of this investment could be self financing through reduced costs and increased revenue. |

| | |
|------|---|
| 3.13 | NITB in a recent meeting (30 August) informed the Director of Development that the Council will be required to submit a funding application for this project to the Tourism Development Scheme (TDS). It is anticipated that this will open for calls in late September 2011 and close in late October 2012. |
| | <u>TDS Funding</u> |
| 3.14 | In addition to bidding to the NITB capital budget for the extension to the Waterfront Hall referred to above Officers have been in discussions with NITB about potential capital funding to support the relocation of the Belfast Welcome Centre from its current offices to a more appropriate location elsewhere within the City centre. |
| 3.15 | NITB has indicated that subject to an acceptable business case being submitted the Council could expect a contribution of around £800k towards the cost of the project. A full business case is currently being finalised by ASM Horwath and should be complete by the end of September. The total cost of the project is not expected to exceed £1.6m. |

| 4.0 | Resource Implications | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|------------------|----------------------|------------------|----------------------|-----------------|-----|-----|-----|------------------------|-----|-----|-----|---|------|------|-----|-------------|-----|-----|-----|------------------------|-------|-------|-------|-------|--------|--------|--------|
| 4.1 | Until the business cases in relation to each of the above projects are complete it is not possible to state with certainty the financial contribution required from the Council towards these projects however at this point it is estimated that the following funding could be required:- | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th>Project</th> <th>Total Cost</th> <th>Funding Expected</th> <th>Council Contribution</th> </tr> </thead> <tbody> <tr> <td>North Foreshore</td> <td>£8m</td> <td>£6m</td> <td>£2m</td> </tr> <tr> <td>Springvale/Forth River</td> <td>£8m</td> <td>£6m</td> <td>£2m</td> </tr> <tr> <td>Conference Facilities/ Waterfront Hall</td> <td>£20m</td> <td>£12m</td> <td>£8m</td> </tr> <tr> <td>Digital Hub</td> <td>£4m</td> <td>£3m</td> <td>£1m</td> </tr> <tr> <td>Belfast Welcome Centre</td> <td>£1.6m</td> <td>£800k</td> <td>£800k</td> </tr> <tr> <td>Total</td> <td>£41.6m</td> <td>£27.8m</td> <td>£13.8m</td> </tr> </tbody> </table> | Project | Total Cost | Funding Expected | Council Contribution | North Foreshore | £8m | £6m | £2m | Springvale/Forth River | £8m | £6m | £2m | Conference Facilities/ Waterfront Hall | £20m | £12m | £8m | Digital Hub | £4m | £3m | £1m | Belfast Welcome Centre | £1.6m | £800k | £800k | Total | £41.6m | £27.8m | £13.8m |
| Project | Total Cost | Funding Expected | Council Contribution | | | | | | | | | | | | | | | | | | | | | | | | | | |
| North Foreshore | £8m | £6m | £2m | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Springvale/Forth River | £8m | £6m | £2m | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Conference Facilities/ Waterfront Hall | £20m | £12m | £8m | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Digital Hub | £4m | £3m | £1m | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Belfast Welcome Centre | £1.6m | £800k | £800k | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | £41.6m | £27.8m | £13.8m | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | |
|-----|--|
| 5. | Equality and Good Relations Considerations |
| 5.1 | There are no Equality and Good Relations considerations attached with this report. |

| | |
|-----|---|
| 6. | Recommendation |
| 6.1 | Given the deadlines set out above it is clear that if the Council wishes to maximise the potential for external funding for the above projects it will require business cases to be completed and applications submitted to Invest NI and NITB by the end of October 2011. This is why the report is being submitted to SP&R and the Development Committees this month. |
| 6.2 | Members are asked to consider supporting applications for each of the projects outlined above and agreeing in principle to meeting the council contribution from the Council's City Investment Fund and/or Capital Programme for the purposes of the application. |
| 6.3 | Any commitment by the Council would be subject to each project obtaining a positive economic appraisal, demonstrating a positive economic benefit to the city and being awarded the projected grant funding. |
| 6.4 | It is recommended that the report should also be submitted to the Development Committee for its consideration at its meeting on 27 September, where an update will be given on SP&R's |

| | |
|--|---|
| | consideration of the funding implications. The views of both Committees will then be able to be considered at the Council meeting on 3 October. |
|--|---|

| | |
|-----|--|
| 5. | Decision Tracking |
| 5.1 | The Directors of Development, Projects and Property and Finance and Resources will bring appropriate reports back to Committee on the full business case for each of the projects and associated detailed costings for further consideration by the Committee in due course. |