



Subject:	Update on City Region Growth Deal
Date:	23rd September, 2022
Reporting Officer:	John Walsh, Chief Executive
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Restricted Reports	
Is this report restricted?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
If Yes, when will the report become unrestricted?	
After Committee Decision	<input type="checkbox"/>
After Council Decision	<input type="checkbox"/>
Sometime in the future	<input type="checkbox"/>
Never	<input type="checkbox"/>

Call-in	
Is the decision eligible for Call-in?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

1.0	Purpose of Report/Summary of Main Issues
1.1	This report is to provide the Committee with an update on the progress of the Belfast Region City Deal (BRCD) including a detailed update on progress to secure in excess of £7m of funding through the Complementary Fund to establish a Northern Ireland wide Digital Transformation Flexible Fund (DTFF) which will help to address the financial barriers facing small businesses and social enterprises wishing to digitally transform.
2.0	Recommendations
2.1	The Committee is requested to: i. note that it is intended that the DTFF will operate on NI wide basis and be led by Newry, Mourne and Down District Council through its existing arrangements operating the Full Fibre NI Consortium;

	<ul style="list-style-type: none"> ii. note the revenue costs associated with operation of the Fund, across a three year delivery period as outlined in the attached. Please note that there is no additional financial ask for Belfast City Council as revenue costs identified have already been accounted for within existing Belfast Region City Deal (BRCD) budgets; iii. approve the council's participation in the DTFF requiring Belfast City Council to join the FFNI consortium along with the other 10 partnering councils currently members of this partnership and for revenue costs associated with the delivery of the project to commence from November 2022 to enable pre-development work to commence; iv. note the update in relation to Belfast Stories and approve the extension for the Programme Director in line with the project timetable which will be financed from existing BRCD resources; v. note the update in relation to the Belfast Digital Innovation Commissioner; vi. approve the contribution to Innovation City Belfast, which will be financed from existing BRCD resources; and vii. note that the next meeting of the BRCD Council Panel will be hosted by Mid and East Antrim Borough Council on 28th September.
3.0	Main Report
	<p>Digital Transformation Flexible Fund (DTFF)</p> <p>3.1 As the Committee will be aware, supporting digital innovation is a key priority in the development of the spectrum of projects emerging through city and growth deals across Northern Ireland. The Digital Transformation Flexible Fund (DTFF) concept was initially developed in response to the low levels of innovation and digital transformation taking place across the region - particularly among the small business community. The DTFF aims to address the financial barrier that small businesses face when seeking to digitally transform by establishing a capital grant fund that will support investment in the types of capital equipment considered critical to their strategic digital transformation ambitions (e.g. hardware, software, bespoke system development).</p> <p>3.2 To date, £6m of funding for this project has been ring-fenced through the NI City and Growth Deal Complementary Fund. The Department for Agriculture, Environment and Rural Affairs (DAERA) has committed a further £1.1m. Due to its ineligibility for the Complementary Fund, engagement is ongoing with the Derry City & Strabane Growth Deal to secure an additional £450k to create a total capital grant fund of £7.5m.</p>

3.3	<p>Over the past six months, councils have participated in a robust process to develop the outline business case required to release this government funding. The business case has been informed by detailed and continuous engagement with a range of stakeholders including more than 40 businesses and organisations such as Digital Catapult Catalyst, Innovate UK, Intertrade Ireland and Invest NI. A review of best practice models - such as the Leeds City Region Digital Enterprise and the Scottish Digital Boost initiatives – has been used to supplement this work.</p>
3.4	<p>The preferred option for the delivery and management of the DTFF project is as summarised below:</p> <ul style="list-style-type: none"> • Business Eligibility: micro and small businesses and social enterprises (up to 50 employees) across all sectors, with the exception of primary agriculture and fisheries¹. Eligible businesses must be able to demonstrate at least one year's trading history; • Grant funding levels: will range from £5,000 - £20,000 with a grant subvention rate of 70% of total project costs; • Eligible expenditure: will be limited to the purchase of capital equipment and/or resources for software or bespoke system development. It will be aligned to advanced digital technologies² • Application Process: Up to nine funding calls will be opened across the three year delivery period of this Fund. Pre application workshops will be held in local council areas in advance of calls to help stimulate demand. Businesses will be required to submit a digital transformation plan³ to demonstrate the strategic fit and economic return of their proposed investment projects through a competitive application process. There is an imperative to progress the business case process at pace to ensure alignment with the Councils' Digital Surge programme⁴ which is likely to lead to business plans that will require financial investment to which the DTFF is directly aligned to support. This current programme is due to end in March 2023 and it will be important to ensure that the DTFF is operational prior to the conclusion of this programme. • Management of the Fund: the project will be managed on a cross council basis through existing governance structures created through the existing Full Fibre NI Consortium, led by Newry, Mourne & Down District Council. Whilst the centralised management structure will deliver economies of scale for managing the overall fund, its operation will be managed through cross council governance structures. Local Council Economic Development Teams will play a key supporting role to animate and promote the Fund, assess funding applications etc.

¹ Due to state aid challenges and wider interventions provided to these sub-sectors

² Including; smart technologies (Internet of Things), process automation, big data and analytics, immersive technologies, artificial intelligence and blockchain technologies;

³ Please note support to develop Digital Transformation Plans is currently available through Councils' Digital Surge Programme (led by Antrim & Newtownabbey Borough Council) equivalent plans are also provided through FE College intervention such as Innovate US.

⁴ Digital Surge is a capability-building programme designed to support small businesses wishing to develop digital transformation plans,

3.5	<p>The Full Fibre Consortium is an existing partnership initially established to support digital infrastructure delivery across Northern Ireland with ability to deliver additional digitally focused interventions which require cross council partnership working. At present Belfast City Council are the only local authority not engaged through this consortium, this was principally due to the fact that the council had proceeded with their own digital infrastructure arrangements at the time when the consortium was formed. Recognising the opportunity now presented through DTFF it is recommended that Belfast City Council join this consortium to facilitate the delivery of this project, it should be noted that Legal Services have already reviewed partnership documents have confirmed that the DTFF project can be brought within the remit of this existing partnership and that mechanisms are in place for the Council to be added as a member.</p>
3.6	<p>In the delivery of this contract, the centralised project team based within Newry, Mourne & Down District Council will undertake overall management of the project. The council's Economic Development Unit will support this activity and seek to maximise impact for local businesses by undertaking localised promotion, supporting the delivery of pre-application workshop sessions, participating on grant funding assessment panels and assisting businesses in receipt of funding to progress their onward innovation journey.</p>
<p><u>Outcomes</u></p>	
3.7	<p>Based upon an average grant rate, it is estimated that approximately 600 businesses will be supported over the three-year delivery timeframe of the project, delivering significant investment in local businesses across Northern Ireland, with an expected return of investment of £1: £2.24, with expected benefits expected to be principally focused upon increased employment levels and/or turnover levels for participating businesses.</p>
3.8	<p>As with wider city and growth deal funding, both the Complementary Fund and DAERA funding are limited to capital expenditure creating the need for additional revenue funding to manage delivery of the Fund. The estimated total revenue cost for the 11 council partners for the preferred delivery option is approximately £870k over the three year period. Members should be aware that in identifying the preferred delivery mechanism a range of options were explored including council led and procured delivery providers. The proposed council-led delivery model was identified to be the most cost effective, quickest to implement and benefited from a model of delivery where economies of scale could be achieved whilst retaining the ability to maintain localised engagement. The proportional cost allocation for each council have been informed by business population levels across Council areas. This is detailed within the attached Appendix. The revenue cost contribution for Belfast City Council across the three-year period will be £165,312. The council's contribution for this project has already been</p>

	<p>accounted for within existing Belfast Region City Deal budgets so there is no additional financial ask.</p>
3.9	<p>Given the time pressures outlined above, councils are asked to commit revenue funding at risk, whilst the final stages of the business case approval process continue simultaneously in Autumn of this year. This will ensure sufficient resources are in place to support the business case process, as well as preparing for the delivery of the project including updating governance structures, development of detailed project plans and preparing funding processes to enable the project to mobilise quickly. Revenue funding will be required to support the project team required to deliver the project enabling vital pre-development work to be undertaken and ensuring the project can be mobilised in the January to March 2023 period, subject to a successful approval process.</p>
3.10	<p>The approval process for the business case requires Invest NI approval initially prior to progressing through departmental approval mechanisms. In the development of the business case ongoing engagement has taken place with government departments and Invest NI to inform the development of the business case. Equally the staged approval process will mean that in advance of the November timeframe when revenue costs are expected to be incurred by Councils ‘at risk’ there is expected to be reasonable progress made through the business case approval journey.</p>
Belfast Stories	
3.11	<p>Members will be aware that Belfast Stories, the Council’s flagship BRCD project, is due to open in 2028. Several important milestones in relation to the project have been achieved including the acquisition of the site in October 2021 and the press launch of Belfast Stories in December 2021 following the signing of the Deal. Public consultation across the city is underway and includes a Members’ workshop in October 2022, date to be confirmed.</p>
3.12	<p>The Strategic Policy and Resources Committee agreed in November 2021 to progress a number of key pieces of work, in order to ensure we meet the 2028 anticipated opening date including the appointment of the integrated design team, the exhibition design team and the stories collection. Documentation is being finalised to procure these teams who should be confirmed Q1 2023. City Growth and Regeneration Committee received programme updates in February and December 2021 and in May 2022.</p>
3.13	<p>To deliver a project of this magnitude for the city and the region it was necessary to recruit a Project Director to lead the development and delivery of the project. Members agreed this</p>

	<p>appointment in 2019 on a three year full-time fixed term contract, with the possibility of extension and / or permanency.</p>
3.14	<p>Now that the timescales for delivery of the project have been further established, the Committee is asked to approve the extension of the Project Director for 5 years in line with the proposed opening in 2028. This will be financed from existing BRCD resources.</p> <p>Belfast Digital Innovation Commissioner</p>
3.15	<p>The Committee is asked to note that the Belfast Digital Innovation Commissioner has resigned from post, as of September 2022. Partners will be consulted in the coming months in terms of the role and way forward in order to align with the Innovation and Digital Pillar requirements for the next phase of the Deal and Members will be updated as this progresses.</p> <p>Innovation City Belfast</p>
3.16	<p>Members previously agreed to contribute £50,000 to the overall programme budget for the development of the Belfast Innovation District proposition as part of the work of Innovation City Belfast in order to fund the necessary resources, staffing, and technical support required as part of a total ICB co-investment of £325,000.</p>
3.17	<p>Now that the partnership is established and is moving into the next phase, the Committee is asked to approve the contribution of £50,000 for the next phase. This will be financed from existing BRCD resources.</p> <p>BRCD Council Panel</p>
3.18	<p>The next meeting of the BRCD Council Panel will be hosted as a hybrid meeting by Mid and East Antrim Borough Council on 28th September 2022. In addition to considering a detailed programme update, the Panel will receive a presentation on the i4C innovation hub that will be located at the St Patrick's Barracks Regeneration site in Ballymena and on the work that is being undertaken to ensure that social value criteria are being integrated into future BRCD procurements and that social value benefits are then realised.</p>
	<p><u>Financial and Resource Implications</u></p>
3.19	<p>All costs associated with the BRCD are within existing budgets.</p> <p><u>Equality or Good Relations Implications/Rural Needs Assessment</u></p>
3.20	<p>Equality and Rural Needs Assessment screening has been undertaken for the DTFF project. The project has been designed to support inclusion by targeting smaller businesses who face</p>

	barriers to engagement in digital transformation, the fund will also actively target businesses in rural areas in line with DAERA funding requirements.
4.0	Document Attached
	DTFF Revenue Cost Summary