



Belfast City Council

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| Report to: | Development Committee |
| Subject: | Capital Funding – European Regional Development Fund (ERDF) and Tourism Development Scheme (TDS) |
| Date: | 27 September 2011 |
| Reporting Officer: | John McGrillen, Director of Development, ext 3470 |
| Contact Officer: | Shirley McCay, Head of Economic Initiatives, ext 3459 |

| 1 | Relevant Background Information |
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| 1.1 | Members are reminded that, in February 2011, a report to this Committee identified a range of potential funding opportunities under one of the key EU Structural Funds initiatives – the European Sustainable Competitiveness Programme. |
| 1.2 | <p>The programme can fund a range of economic development initiatives with the aim of promoting sustainable enterprise and entrepreneurship. Tourism development is also a key component of the programme.</p> <p>Funding under this programme can be used towards a range of activities including:</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; tourism development;- Financial instruments (capital risk funds, local development funds, etc.) to support regional and local development and to foster cooperation between towns and regions. |
| 1.3 | Projects that are supported under this programme are required to find 50% match funding from another public source. This can be made up by councils or other public bodies. Some in-kind match funding is also possible. |
| 1.4 | The programme contains a number of priorities and measures. Many of these are subject to open calls for projects, with a range of deadlines for each of the measures. |
| 1.5 | The current 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 end June 2015. |
| 1.6 | There are also a number of additional sources of funding for capital schemes which are available to council at present and which could be used – along with council resources – to bring forward a range of projects identified by members as being of strategic importance to the development of the city. |

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| 2 | Key issues |
| 2.1 | <p><u>Local Economic Development funding</u> The European Sustainable Competitiveness programme includes a measure which is nominally ring-fenced to support Council-led local economic development (LED) activity. This measure has a budget of around €25million from the European Regional Development Fund (ERDF). It is expected to be match-funded by a similar amount from councils (or by councils in conjunction with other match-funders). The programme is managed by DETI (Department of Enterprise, Trade and Investment) through its European Programmes Branch.</p> |
| 2.2 | <p>To date, 14 councils are in receipt of letters of offer totalling around €3.3million. Of this amount, Belfast City Council has 13 letters of offer totalling £1.4million ERDF, operating over a number of financial years and has four applications at economic appraisal stage for a total of £1million EDRF. This support is match-funded by council resources to deliver a range of enterprise development support initiatives.</p> |
| 2.3 | <p>DETI and Invest NI have been engaging with councils in recent months to highlight the potential underspend in the programme and to identify how the commitment might be delivered through a range of capital and revenue expenditure at both individual council level and also through collaborative initiatives at a sub-regional/regional level. Councils were asked to provide profiles of their intended commitments over the next three years.</p> |
| 2.4 | <p>In order to address the potential underspend, Invest NI has indicated that, where the project meets its objectives, it would be prepared to offer 25% match funding. This would mean that the Council commitment would be 25% of overall project costs, with the remaining 50% coming from the EU funding.</p> |
| 2.5 | <p>The Minister for Enterprise, Trade and Investment has recently written to Councils setting a deadline of 30 October 2011 for applications to the European Sustainable Competitiveness 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.</p> |
| 2.6 | <p>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.</p> |
| 2.7 | <p>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.</p> |
| 2.8 | <p>A business case for the development of an environmental resource and recovery park at the North Foreshore is to be completed by mid-September 2011. In addition, a number of complementary schemes including a university research centre on environmental management technologies have expressed a significant interest in locating on the site. 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.</p> |

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| 2.9 | Invest NI have also had an expression of interest for the development of part of their site at Forthriver Business Park as a social economy development and an innovation district. Invest NI staff have indicated that they would be keen to look at the potential of leasing this site for the agreed development and that they could also consider making a contribution towards the capital costs involved in the development of the scheme, should it be supported by council. A business case for this project is currently under development and concept designs have been produced. It is anticipated that a submission could be made in time for the October deadline. |
| 2.10 | Invest NI have also indicated that they would be keen to work with Belfast City Council to explore the potential of a “digital hub” as a focal point for the growth of the digital media sector in the city. The hub would act as a catalyst for “hothousing” innovative businesses with growth potential and would support collaboration between companies, providing support to lever investment capital and access new markets. This would be done along the lines of similar 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 has 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. A number of partners including Invest NI, NI Screen and Northern Ireland Science Park have committed to working on a detailed scoping exercise for this development and a terms of reference to establish the most viable format, location, focus and specification is to be commissioned in the coming weeks. It is proposed that Belfast City Council makes a contribution of £5,000 towards the cost of this work. |
| 2.11 | 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 |
| 2.12 | 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 Argyle 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 2011 deadline but there may be a further opportunity to make bids in advance of the 30 September 2012 deadline, subject to resource availability and dependent on a successful application for funding. |
| 2.13 | <u>Tourism Development Scheme funding</u> The Northern Ireland Tourist Board (NITB) is responsible for the Tourism Development Scheme (TDS). Under the TDS, funding is provided towards key tourism capital projects that can demonstrate that they will increase tourism activity to and within Northern Ireland. |
| 2.14 | The next call for projects under the Tourism Development Scheme will open in late September 2011 with an October 2011 closing date. Initial discussions with NITB suggest that they would be open to considering funding applications from key Belfast-based projects, namely the development of conference and exhibition facilities at the Waterfront Hall and the relocation of the Belfast Welcome Centre. |
| 2.15 | An economic appraisal of the proposed conference and exhibition facilities is under way at present and is likely to be completed by end September 2011. It is likely that the total capital commitment for this scheme could be £20million. This might require a |

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| | financial commitment from council of £8m, with £2m potentially available from Tourism Development Scheme and £10million coming from European Regional Development Fund (ERDF). |
| 2.16 | A number of independent studies have recommended that the Belfast Welcome Centre be relocated to ground floor premises. Potential sites have been identified however no decision has been reached on the location. ASM Horwarth are currently finalising a business plan to determine the most appropriate business model for Belfast Welcome Centre to maximise footfall and to sustain and grow income. Indications at this stage suggest that the cost of relocation could be around £1.6million. It is likely that Belfast City Council would be asked to provide £0.8m with £0.8m potentially coming from the Tourism Development Scheme, if a successful application was submitted. |
| 2.17 | 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. |

| 3 | Resource Implications | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 3.1 | <p><u>Financial</u></p> <p>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 from council:</p> <table border="1" data-bbox="268 994 1385 1480"> <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>£0.8m</td> <td>£0.8m</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 | £0.8m | £0.8m | 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 | £0.8m | £0.8m | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | £41.6m | £27.8m | £13.8m | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| 4 | Equality and Good Relations Considerations |
| 4.1 | No specific equality or good relations implications to this report. |

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| 5 | Recommendations |
| 5.1 | <p>Members are asked to:</p> <ul style="list-style-type: none"> - 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 Fund for the purposes of the application. - Note that 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 - Agree to provide £5,000 towards a business case for a digital hub, to be carried out in partnership with Invest NI, NI Screen and Northern Ireland Science Park. |

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| 6 | Decision Tracking |
| | Reporting back to Committee in November following the October deadline. |