

Report to: **Lead Member for Economy**
 Date: **19 July 2012**
 By: **Director of Economy, Transport and Environment**
 Title: **Economic Intervention Fund Proposals**
 Purpose of report: **To agree the overall criteria and proposed allocation of the Economic Intervention Funding**

RECOMMENDATION: Lead Member is recommended to:

- (1) agree the overall criteria and proposed allocation of the Economic Intervention Fund to the proposed projects; and**
- (2) agree to apply flexibility with the allocation of funding between projects as appropriate.**

1. Financial Appraisal

1.1 In February 2012, the County Council agreed the capital programme for 2012/13 to 2015/16 with a clear focus on projects that support the Council's Economic Development aims both directly and indirectly. This report focuses on the Economic Intervention Fund (EIF) which amounts to £6m in total.

1.2 The projects below which are recommended for support include some activities at the margin that are in fact revenue and care needs to be taken to maintain the capital/revenue distinction and use resources appropriately. Lead Member will be aware of an emerging new assurance framework for the capital programme which will include a focus on this particular issue. In the meantime, we retain some flexibility within the totality of the Economy, Transport & Environment revenue/capital resources to maintain the appropriate distinction and this is not therefore a barrier to progressing the range of projects suggested.

1.3 Whilst some of the proposals for the allocation of the EIF are contributions to projects which aren't in the direct control and management of the County Council, the remaining projects are proposed to be delivered using existing County Council resources.

2. Background

2.1 The budget and capital programme approved by County Council in February 2012 is a budget for growth. A significant focus is given to projects that support our economic development aims and priorities and this approach is supported by a wealth of evidence that demonstrates the need for investment. The evidence supporting the commissioning of economic initiatives includes, at its heart, the poor economic performance of the county.

2.2 The Local Economic Assessment, the East Sussex Economic Development Strategy and the Annual Business Survey provide more depth, evidence and detail. The projects that are being considered for inclusion in the four year programme not only deliver real and direct economic benefits including top class commercial floor space, jobs etc but will also help address issues highlighted in the Health and Well Being Strategy.

2.3 Whilst East Sussex is one of the healthiest places to live in the country there are significant health inequalities across the county. The Joint Strategic Needs Assessment Programme has identified a number of priority areas in East Sussex and these will contribute to the criteria for assessing the detail of projects being considered and their ability to deliver joint outcomes.

3. Proposed EIF Criteria and Allocations

3.1 The criteria for the allocation of the EIF fund are designed to be flexible but at the same time ensure a focused approach. The proposed criteria for the EIF are that the fund:-

- supports the delivery of County Council priorities
- contributes directly to job creation
- contributes to the delivery of the objectives and desired outcomes set out in the East Sussex Strategic Partnership Economic Strategy for the County
- supports wherever possible the delivery of multiple outcomes

3.2 A summary of the proposed EIF allocations is set out below. Further information can be found at Appendix A to this report.

3.3 North East Bexhill Business Park Spine Road - contribution of **£0.5m** to East Sussex Energy & Infrastructure Development Limited (ESEID) to contribute to the pre-development costs to bring forward the substantive planning application for the spine road off the Bexhill to Hastings Link Road for the North East Bexhill business park.

3.4 Arndale Centre Redevelopment, Eastbourne - contribution of **£0.5m** to the proposed public realm improvement costs associated with the proposed redevelopment of the Arndale Centre in Eastbourne to support the economic regeneration of the town centre. Legal and General have submitted their planning application which will be a £70m investment in the centre.

3.5 Rural Growth & Employment Fund - there has and continues to be significant investment in our most deprived communities on the coastal strip and this fund of **£2.5m** would allow a significant focus on the rural areas of the county. The focus of the fund would be economic growth and employment and we are considering a number of potential projects which could be delivered through the fund.

3.6 Third Sector Social Enterprises - a third sector allocation of **£0.5m** providing opportunities for the 3rd sector to create economic opportunities by expanding or developing new social enterprises that create jobs. There is potential to split the fund into a number of programmes which will reach a wider number of organisations and make an impact across the micro and small enterprises across the county.

3.7 Small & Medium Enterprises Commission Outcomes - the Small & Medium Enterprises (SME) Commission was established to identify what support the County Council could provide to help the growth of businesses in East Sussex. The proposed allocation of **£1m** is proposed to be used to fund projects and initiatives which arise from the Commission, although it is too early at this stage to identify precisely what projects would need to be delivered.

3.8 Company Incentive Scheme - a proposed allocation of **£1m** to provide state aid compliant financial incentives to companies expressing an interest in relocating to East Sussex. An appropriate process and criteria would need to be developed as the basis for award.

4. Conclusion and Reason for Recommendation

4.1 The proposals contained in this report are consistent with the priorities established within the recently approved Economic Development Strategy for East Sussex and will have a positive impact on the economic growth of the county. Lead Member is asked to agree the EIF proposals to allow officers to progress with their delivery through the development of the appropriate processes and relevant criteria.

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Director of Economy, Transport & Environment

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Local Member: All

Background Documents: None

North East Bexhill Business Park Spine Road

£0.5m contribution to East Sussex Energy & Infrastructure Development Limited (ESEID) to contribute to the pre-development costs to bring forward the substantive planning application for the spine road for the North East Bexhill business park (south) (Trinity land only).

ESEID has commenced dialogue with Rother District Council in relation to a proposed planning application for the access road off the Bexhill to Hastings Link Road (BHLR) into the southern business park within the designated North East Bexhill employment sites.

In order to reach that stage, ESEID needs to undertake considerable pre-development activity and this is currently estimated to cost in the region of £0.6m. Our contribution would ensure that:-

- A planning application can be submitted by October 2012
- Determination and planning approval by December/January 2013
- Start on site shortly thereafter
- This will release land for up to 25,000sqm
- Potential for up to 1,900 FTE jobs

The progress in delivering the business park allocation is a key reporting requirement for the Department of Transport. It is required as part of the submission of the final funding submission, along with subsequent annual reports. Irrespective of the potential Judicial Review on the BHLR, in order to achieve the outcomes identified in the regeneration case made for it, progress needs to be maintained to ensure subsequent swift implementation of the business park.

Arndale Centre Redevelopment, Eastbourne

Contribution to the public realm improvement costs associated with the proposed redevelopment of the Arndale Centre in Eastbourne to support the economic regeneration of the town centre. Legal and General have submitted their planning application which will be a £70m investment in the centre.

Current estimates of the cost of this are anywhere from £1.5 to £3.5M depending on materials used. The most obvious source of a contribution is the car parking surplus, and a report to the Lead Member for Transport & Environment recommends a figure over the next four years of up to £2m. An additional £0.5m contribution is suggested as being earmarked from the EIF. A further contribution could also be made from the Integrated Transport Capital Programme, but this will be determined once the total cost of the public realm works are understood.

There is still considerable detailed work to be undertaken but this contribution would assist in delivering the following outcomes:-

- Support the proposed redevelopment of Eastbourne Town Centre
- Make a visible difference to the public realm in the supporting area
- A demonstrable significant investment to support the economy of Eastbourne

Rural Growth & Employment Fund

A Rural Growth & Employment Fund of £2.5M. There has and continues to be significant investment in our most deprived communities on the coastal strip and this fund would allow a significant focus on the rural areas of the county. The lessons from existing rural employment initiatives will be a useful reference point for the development of other initiatives. The focus of the fund would be economic growth and employment and any initiatives supported would need to be consistent with the criteria for the fund as a whole. In addition projects would need to be of sufficient scale to be able to demonstrate that they would deliver economic outcomes such as new jobs/new businesses/additional commercial floorspace/training opportunities

Clear demonstration of the evidence that supports a proposed intervention, alongside a clear set of outcomes to be achieved, will be part of the process of assessing applications under this fund. Further detailed work will be undertaken to ensure a clear framework for inviting, assessing and awarding funding under this element of the EIF is available with a start date of September 2012.

Third Sector Social Enterprises

A separate third sector ring fenced element of £0.5m to expand/develop new social enterprises that create jobs.

The fund will assist us in realising the Community Services Policy Steer to 'work with the voluntary and community sector to build greater resilience and self-sustaining capacity to support delivering joint objectives' (in particular the performance measure to develop and establish opportunities for increased Social Enterprise activity in the delivery of public services). As the VCS/Third Sector in East Sussex is made up of organisations that are either micro or small enterprises it may be that the fund could be split into a number of programmes. For example:

- An early development programme for organisations to apply to that wish to carry out scoping studies, feasibility studies, or prepare business plans.
- A market development programme for organisations already trading but would like to extend or develop into other markets.
- An implementation or start up programme for organisations that have a business plan and require pump priming to commence trading, and/or wish to attract other investment.

By dividing the fund into programmes it will reach a wider number of organisations and make an impact across the micro and small enterprises across the county.

Small & Medium Enterprises Commission Outcomes

SME Commission – implementation fund for their recommendations £1m. The commission is currently underway and is still in its evidence gathering stage ascertaining the barriers to SME growth in East Sussex and will be coming forward with recommendations to address these.

We do not, at this stage, know what they are likely to recommend but given the importance of SME's to the East Sussex economy this implementation fund, subject to demonstrable outputs, would further demonstrate the County Council's commitment. It may be the case that this allocation is too high and some of this allocation may need to be reallocated to other priority areas at a later date.

Company Incentive Scheme

Company incentive scheme £1m – the attraction of SAGA demonstrated the need to have the flexibility to offer state aid compliant grant aid to secure the location of a company to the area. We know of a number of companies who are considering relocating to East Sussex, and the availability of financial incentives will put the County Council in a strong position to attract them.

The state aid compliant funding level is in the order of £140k but this fluctuates with the euro exchange rate.