

Agenda Item:

Report to: CABINET

Date: 4 OCTOBER 2004

Report from: EXECUTIVE DIRECTOR REGENERATION & PLANNING

Title of report: **AREA INVESTMENT FRAMEWORK (AIF) AND OBJECTIVE 2 FUNDED PROJECTS AND AIF PRIORITIES**

Purpose of report: To update the Cabinet on the further development of the Area Investment Framework (AIF) process in Hastings and Bexhill and to seek approval for a number of projects to be funded through SEEDA's devolved funding AIF allocation and ERDF Objective 2.

Recommendations:

- To note the progress made on the Hastings and Bexhill AIF process and the priorities for use of SEEDA devolved funding.
- To approve the further development of the AIF structure and the current AIF programme.
- To approve Hastings Borough Council's delivery of projects as outlined in Sections 3.3.1. – 3.3.17 and 3.4.1. - 3.4.3.

1. Context

- 1.1. Members will recall that SEEDA first introduced the Area Investment Framework (AIF) concept in 2003 as a tool for guiding their investment in priority regeneration areas. The development of the Hastings and Bexhill AIF was commenced in the latter part of that year, involving a baseline audit and consultation with stakeholders in the public and private sectors. This work resulted in an Action Plan that outlined a number of strategic priorities and gaps in current levels of investment.
- 1.2. A previous report to the Cabinet in May 2004 outlined the AIF process and the progress of the Hastings and Bexhill AIF development work, and sought approval for the Council to become the accountable body for SEEDA devolved funding through the AIF. The Cabinet accepted the report's recommendations which also included proposed further development of the AIF, and the work-up of economic development and inclusion projects by the AIF Board.
- 1.3. Use of SEEDA's devolved funding is dependent on SEEDA's approval of annual Performance Plans defining strategic priorities and activities for the 12 month period in line with existing AIF Action Plans, and including output targets, financial projections and strategic outcomes over a rolling 3-year period. For projects to be eligible for devolved funding support they must be targeted at delivering tangible economic outcomes.
- 1.4. Members will recall that the indicative annual devolved funding allocation for Hastings and Bexhill over the first 3 years of the AIF is minimal, with just £300,000 allocated in 2004-05. November 2004 is the earliest we are likely to know the allocation for 2005-06, but at this stage, SEEDA has advised all AIF areas to assume the same level of funding for the next 2 years. However, the high level of economic exclusion and the strategic priorities identified in the AIF action plan demand focused activity over a sustained period of time and the AIF Board has determined that the current levels of devolved funding are inadequate to support the successful delivery of the agreed AIF strategy and action plan. The need for significant additional devolved funding support has been reflected in the Board's first Performance Plan (Appendix 1) and the commissioning of projects.
- 1.5. There has been an underperformance in an Objective 2 funded project managed by 1066 Enterprise that delivers business support services in Hastings. This has resulted in an Objective 2 underspend of £133,626 against the original forecast expenditure. GOSE and 1066 Enterprise have agreed that, even with a reprofiling of the project, it is unlikely to make up the shortfall over the remaining lifetime.

2. Implementation of the Hastings and Bexhill AIF

- 2.1. The first annual AIF cycle began in FY2004-05 and rapid progress has been made since the May Cabinet report in order to meet the extraordinarily tight programme timeframe established by SEEDA and ensure that we are able to draw down this year's devolved funding allocation. There is currently no ability to roll over unspent funds into future years.

- 2.2. At its first meeting in July 2004, the newly constituted AIF Board approved a number of measures to be delivered across the Hastings and Bexhill area that would be eligible for SEEDA devolved funding support and which would address the strategic priorities identified in the Action Plan. In August, these measures were worked up into specific project applications, subjected to a rigorous appraisal process, and incorporated into a comprehensive Performance Plan. The Performance Plan was approved by the AIF Board on 27th August, in time to meet the deadline for submission to SEEDA in early September.
- 2.3. SEEDA also required the AIF Board to provide information by 15th September about 2005-06 priorities for SEEDA's area-wide involvement, in order that these priorities could be considered in terms of SEEDA's own business planning process. Notwithstanding this, the AIF Board intends to engage strategic partners and the wider community in determining local priorities and further development of the AIF. The September submission does not depart from the priorities already agreed and included in the current Action Plan.
- 2.4. The AIF Board is now embarking on plans to engage with strategic partners and establish a productive and cooperative relationship with the LSPs and other existing partnership structures. This work will be the subject of a further report.
- 2.5. On 23rd September we received notification of SEEDA's approval of the Performance Plan and six of the accompanying projects. SEEDA requires further development work on two Task Force led projects before they can go ahead.

3. AIF Projects

- 3.1. Set out below is a summary of the eight proposed projects that were commissioned and approved by the AIF Board. The majority of these projects have a lifetime of 3-4 years and are dependent on additional SEEDA devolved funding support beyond 2004-05. The AIF Board has agreed that these projects should continue to remain priorities for available devolved funding in future years, but it is also recognised by the AIF Board and SEEDA that the ability to continue the projects beyond 2004-05 will be subject to SEEDA allocating appropriate levels of devolved funding.
- 3.2. Three of the projects address specific issues already deemed to be economic development and inclusion priorities for the Council, and it is proposed that these projects be led by HBC via its economic development team. All project activities and employment of project staff will be carried out in accordance with the Council's standing orders, and recruitment and employment policies.
- 3.3. The financial implications for Hastings Borough Council are minimal, beyond providing office space and associated minor overhead costs in connection with hosting the employment of up to 2.5 full-time equivalent project staff. Recruitment, salaries, equipment and project running costs will be fully covered by SEEDA's devolved funding and other external funding streams as appropriate. Project staff will be employed on annual fixed term contracts to coincide with the allocation of these external funding streams.

3.3.1. Proposed HBC-led projects:

3.3.2. Sector Development:

- 3.3.3. Construction industry opportunities in the Hastings and Bexhill area will be at an unprecedented high as a result of the planned physical regeneration and residential developments, and a recent LSC commissioned survey predicted a shortage of 15,500 construction workers in the southeast over the next few years. There is an urgent need to coordinate activities around training, work experience and working with the area construction industry in order to enable local people to take full advantage of these employment opportunities. This project will fund a coordinator to work with a range of partners, including the local construction industry, developers, the Task force, the LSC and local training providers, Job Centre Plus to link local people with construction training and employment opportunities, increase work-based training opportunities and coordinate this with institutional provision, and to ensure a ready local supply of appropriately skilled people to meet the needs of the local construction industry. The Coordinator will also develop and coordinate a programme of targeted support and advice to local construction firms to enable them to bid successfully for the construction contracts that will be offered locally and regionally.
- 3.3.4. The project will also target Hastings' declining fishing industry. The recent Nautilus study highlighted the the impact that further decline may have on the sustainability of the industry and its value to the local tourist industry. This project will fund a part-time Fishing Product Development Officer to work closely with the fishermen to improve the quality and value of the product, establish new markets for Hastings' catch, and encourage new recruits into the fishing industry. The project will feed directly into the work around developing the tourism potential that will be undertaken through another AIF project (Destination Management).
- 3.3.5. The project includes funding to support a retail needs assessment in Hastings and Bexhill as part of the Local Development Framework activity. This will provide essential baseline information to examine the growth in potential retail expenditure in the town and to calculate the effective need and demand for retail floorspace over the next 10-15 years. The study will steer future policy on Hastings and Bexhill town centres, local and out of town shopping. This element will be led by the Council's Forward Planning section.
- 3.3.6. Proposed funding and management arrangements: The new posts required to deliver the project activities will be on a fixed term basis in line with SEEDA funding allocations and, with the exception of the Retail Needs Assessment, will be line managed through the Council's Economic Development section. Recruitment, salaries and equipment costs associated with these posts will be fully funded by SEEDA's devolved funding contribution. Hastings Borough Council's contribution to the project will be by way of in-kind management support and guidance, and workspace for postholders. Sector Advisory Groups will be established to monitor, advise and support the project and will include business representatives and other local stakeholders involved in supporting project

delivery. Major partners involved in the Construction Skills activity will be the LSC, Construction Industry Training Board (CITB), Task Force, construction companies, Job Centre Plus, HCAT and other training providers. Partners involved in the fishing product development project will include the local fishermen, Hastings Fishmarket Enterprises and DEFRA.

- 3.3.7. The construction skills and fish product development activities have a projected lifetime of 4 years, subject to sufficient annual levels of SEEDA devolved funding. The retail needs assessment is projected to run over the first two years of the AIF.

Estimated project cost:

SEEDA devolved funding support	225,782
Other public sector leverage (in-kind)	60,172
Private sector leverage (in kind)	46,974
Total lifetime cost:	£332,928

3.3.8. Evening Economy:

- 3.3.9. The Hastings element of the project takes forward the findings and recommendations of the 2003 Evening Economy Study previously endorsed by Cabinet. Activities will include an entertainment and marketing programme to increase the number of town centre visitors and encourage retailers to extend their hours of operation, support for new leisure operations and employee training, and other activities to stimulate economic activity and employment generation in the town centre. In Bexhill, activities will focus on identifying issues affecting the evening economy and policy development. The project, as profiled, will last for four years, subject to sufficient levels of annual devolved funding allocations.
- 3.3.10. This evening economy revenue project will be integrated with other activities and significant projects in Hastings (e.g. the £250,000 SRB-funded evening economy capital project and planned £108K SRB-funded town centre evening street warden scheme) and in Bexhill (e.g. Bexhill Town Centre Masterplan work, the refurbishment of the De La Warr Pavilion, Seafront refurbishment plan, and Heritage Economic Regeneration Scheme), all of which will support and enhance the AIF funded activities.
- 3.3.11. It is also intended that the project will provide a focus for the development of customer care/service skills in the retail and catering sector, through the involvement of business support agencies and training providers in the Project Advisory Group and through links with existing initiatives.
- 3.3.12. Proposed funding and management arrangements: The already established Evening Economy working group and the Town Centre Management function, combined with the Council's existing economic development and marketing expertise, are sufficient to deliver the bulk of project activities in Hastings. It is envisaged that an events assistant be employed on a part-time basis. Bexhill

activities will be delivered through existing RDC resources. The project will be monitored by an Advisory Group made up of stakeholders from both towns supported by Hastings Borough Council's Economic Development section. SEEDA devolved funding will be used to fully fund the marketing, entertainment and policy research activities, and to pay for the costs of the part-time events assistant. Hastings Borough Council's contribution will be in the form of in-kind management and guidance activities through the existing economic development and marketing resources. Other public sector matched funding will come in the form of SRB funds for associated environmental improvements and street wardens. Private sector contributions will be by way of expenditure on marketing and the cost of extended business operations.

Estimated project cost:

SEEDA devolved funding support	250,000
Other public sector leverage (in-kind)	420,400
Private sector leverage	200,000
Total lifetime cost:	£870,400

3.3.13. Economic Action Research:

- 3.3.14. This project is a key element in the development of an economic inclusion strategy for Hastings and Bexhill. Research activity will identify the true extent of, and the underlying reasons for, area-wide economic inactivity, and will map the concentrations of barriers to economic activity among the local population with a particular emphasis on hard to reach groups and priority SOAs. The research will uncover any conjunction of issues in particular geographical areas. eg, Are there transport problems and childcare problems featuring heavily in one area? Is there poor mental health combined with substance misuse in a neighbourhood? Gaps in existing service provision will be identified and there will be an assessment of the effectiveness of existing programmes targeting un/underemployment.
- 3.3.15. A second project element will involve research into the skills needs of existing and future employers and the current skills level of the local workforce. There will be an emphasis on identifying what improvements in workforce development and vocational training are needed to ensure that local people are able to gain the skills and training to meet the specific needs of local employers.
- 3.3.16. The research will be both quantitative and qualitative in nature. It will include the collation and analysis of existing data, as well as development of new local intelligence on exclusion. Project outputs will include specific measures to address shortfalls and deliver tangible results in the form of increased economic activity and reduced levels of deprivation. The research will be used to plan, develop and implement an economic inclusion action plan to reduce unemployment and child poverty, and increase earnings and skills levels in the most deprived areas. It will provide the information required by a wide variety of agencies working to combat unemployment, poverty and hopelessness, and will inform the future development of the AIF Action Plan and strategic priorities.

3.3.17. Proposed funding and management arrangements: The project will be driven by a steering group of stakeholder organisations supported by the Council's Economic Inclusion Officer. SEEDA devolved funding will fully fund all elements of the research, with in-kind contributions from the Council and partner organisations in the form of management / officer time, and time spent by partners on providing advice and information to the researchers.

Estimated project cost:

SEEDA devolved funding support	100,000
Other public sector leverage (in-kind)	22,500
Lifetime project cost:	£122,500

3.3.18. Other AIF projects:

3.3.19. Hastings and Bexhill Protohub: Employment of a Hub director to support high-tech business start-up, encourage knowledge transfer and innovative technology, coordinate a range of business support services and stimulate entrepreneurial activity and business development in sectors with high growth potential. SEEDA's approval of this project is anticipated following some further project development work. Project lead: Seaspace. Project length: 3 years. Estimated devolved funding required: £85,000. Estimated project cost: £250,000.

3.3.20. Destination Management: Development of a destination management strategy, further assessment of the potential for a major visitor attraction, and establishment of higher education coastal tourism management curriculum. Project lead: Seaspace. Project lifetime: 3 years. Estimated need for devolved funds: £230,000. Estimated project lifetime cost: £230,000

3.3.21. Tourism Researcher: Joint project with Tourism South East, focusing on market driven research and business intelligence to stimulate tourism sector development and job creation. Project lead: Seaspace. Project lifetime: 2 years. Estimated need for devolved funds: £75,000. Estimated project lifetime cost: £125,500

3.3.22. Synchronous Broadband: Establishment of rapid high bandwidth infrastructure to meet the needs of companies with intensive data transfer requirements. SEEDA's funding approval for this project is awaiting satisfactory project analysis by their ICT specialists. Project lead: Seaspace. Project lifetime: 3 years. Estimated need for devolved funds: £60,000. Estimated project lifetime cost: £120,000

3.3.23. Land Use: Additional resource to identify and bring forward new development sites. Project lead: Rother District Council. Project lifetime: 4 years. Estimated need for devolved funds: £200,00. Estimated project lifetime cost: £363,250

3.4. Objective 2 project

- 3.4.1. A new project proposal has been developed in partnership with the Hastings and Bexhill Task Force to take up 1066 Enterprise’s Objective 2 underspend. The proposal has been submitted to GOSE, and the outcome of the bid is likely to be known in November.
 - 3.4.2. If successful, the project will help meet one of the Council’s current economic development targets – that of promoting and developing the growth of key industrial sectors.
 - 3.4.3. Under the proposal, Objective 2 funds will augment the Council’s economic development team’s sector development activities and the Task Force’s programme of support for new businesses through the Protohub and Innovation Centre. There will be a focus on those sectors identified as having high potential for growth and local employment, specifically the Advanced Manufacturing \ Engineering, Creative Industry, Construction, Tourism and Healthcare sectors.
4. The establishment of the Council’s Economic Development team in January 2004 created a dedicated resource to further the Council’s economic development priorities. The proposed projects detailed in this report are fully consistent with the team’s targets as set out in the current Service Delivery Plan, and will complement and enhance the team’s work on economic inclusion.

5. Policy implications

5.1. Please tick if this report contains any implications for the following:

Equalities & Community Cohesiveness	<input type="checkbox"/>
Crime and Fear of Crime (Section 17)	<input type="checkbox"/>
Risk Management	<input type="checkbox"/>
Environmental issues	<input type="checkbox"/>
Economic / Financial implications	<input type="checkbox"/>
Human Rights Act	<input type="checkbox"/>
Organisational Consequences	<input type="checkbox"/>

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Appendix

Report to Cabinet dated 24th May headed Area Investment Framework (AIF)