

Decision Maker: RENEWAL AND RECREATION POLICY DEVELOPMENT COMMITTEE

Date: 26th June 2018

Decision Type: Non-Urgent Non-Executive Non-Key

Title: GROWTH FUND UPDATE

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Chief Officer: Executive Director Environment and Community Services

Ward: Borough Wide

1. Reason for report

- 1.1 The main objectives for the Growth Fund and related growth projects are to facilitate economic development and support business rate growth in the Borough, together with generating income. The initial focus for Growth Fund projects were investment opportunities and key infrastructure improvements in the main growth areas of: Biggin Hill; Cray Business Corridor; and Bromley Town Centre. This has subsequently been widened to include strategic property acquisitions, business support initiatives and broadband infrastructure improvements. This report provides an update on the current Growth Fund work programme.
- 1.2 As part of the enabling infrastructure workstream it is proposed to commission a full audit of existing Council owned assets to assess the potential for delivering new Fibre and Public Wireless Networks and provide new income streams to the Council.
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2. **RECOMMENDATIONS**

Members

1. Note the content of the report and subject to the outcome of the work stream set out in paragraphs 3.19 – 3.20 that a further detailed report is brought back to Members on the outcome of the audit, options analysis and SIP Bid.

Corporate Policy

1. Policy Status: Existing Policy:
 2. BBB Priority: Excellent Council Vibrant, Thriving Town Centres:
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Financial

1. Cost of proposal: N/A
 2. Ongoing costs: Non-Recurring Cost:
 3. Budget head/performance centre: Growth Fund
 4. Total current budget for this head: £39.154m
 5. Source of funding: Growth Fund
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Staff

1. Number of staff (current and additional): 3
 2. If from existing staff resources, number of staff hours:
-

Legal

1. Legal Requirement: Non-Statutory - Government Guidance:
 2. Call-in: Applicable:
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected):
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: No

3. COMMENTARY

- 3.1 As local authorities become more “self- sufficient” opportunities to generate sustainable income, which will ultimately be used to fund key services, will become more critical. The main objectives for the Growth Fund and related growth projects are to facilitate economic growth and support business rate growth in the Borough, together with generating income. The initial focus of Growth Fund projects was to identify investment opportunities and undertake key infrastructure improvements in the main growth areas of Biggin Hill, Cray Business Corridor and Bromley Town Centre. This has subsequently been widened to include strategic property acquisitions, business support initiatives and broadband infrastructure improvements. The budget allocation for the Growth Fund is £39.154M.

Cray Business Corridor

- 3.2 The original growth assessment produced by Consultants URS estimated that the redevelopment of a number of strategic sites with the Cray Business Corridor could provide up to 36,650 sqm of additional floorspace, generating £1.8m in additional business rates. Officers have been engaged with strategic land owners on their redevelopment proposals. This by its nature is a lengthy process and combined with the lack of development sites coming to the market has resulted in no clear cut investment proposal coming forward to date. However, a continued shortage of good quality accessible industrial sites in South East London has had a beneficial impact on the Cray Business Corridor and in recent years there has been a significant uplift in redevelopment interest in the identified strategic sites. This has seen planning permission being granted for the redevelopment of both the Klinger’s Factory site and more recently the Sun Chemical site, which when built out will deliver 24,740 sqm of additional industrial floorspace.
- 3.3 The land at the rear of Edington Way has also been purchased from Tesco by a local business with plans to relocate their business onto the site. Allied Bakery have also confirmed that they are longer looking to relocate their distribution function to Dartford and have approached the Council with redevelopment plans for part of their site which could result in over 3000 sqm of additional commercial floorspace.
- 3.4 There have been a number of preliminary discussions held with industrial developers regarding joint venture options but there has been little appetite where the Council does not have a major landholding.

Biggin Hill

- 3.5 The original growth assessment produced by Consultants URS estimated that the redevelopment of strategic sites with the Biggin Hill Airport could provide up to 45,000 sqm of additional floorspace, generating £2.2m in additional business rates. The draft Local Plan has proposed removing a number of development parcels at the Airport from Green Belt designation to facilitate this phased growth programme. Biggin Hill Airport has also used their Permitted Development rights to commence the construction of a new hanger and ancillary office accommodation adjacent to the airport terminal building.
- 3.6 The Council focus has been on facilitating economic growth at West Camp which lies outside of Biggin Airport Ltd ownership. Architects and Masterplanners Barron and Smith have produced a Masterplan and feasibility report on options for the provision of an enterprise centre and aviation college on the West Camp site. This proposed reuse of the Listed Buildings to provide up to 5,000 sqm of new net employment floorspace and a new 4,000 sqm educational facility. An initial offer for the site was made to the site owners in May 2017 and they subsequently advised the Council that the site was under offer and therefore not available. The Council have recently written again to the site owners to seek an update on the

proposed sale. Given the uncertainty concerning the availability of the West Camp site South East London Colleges (SELC) have been allocated, by the Biggin Hill Airport Ltd, an alternative site for the proposed Aviation College on East Camp. SELC have successfully applied to the GLA's Skills for Londoners Fund for £6m to fund the construction of the Aviation College and plans are currently being progressed.

- 3.7 A sum of £300k from the New Homes Bonus monies has been used to fund the initial growth work for the Biggin Hill and Cray Corridor projects.

Bromley Town Centre

- 3.8 A Growth Fund allocation of £2.9m has been made towards supporting the site acquisitions costs of Opportunity Site G. This represents 12% of the estimated total acquisition costs of £24.3m, which will be repaid from the capital receipt from Countryside Properties. To date a total of four properties have been purchased using the Growth Fund allocation and a number of offers have been made.
- 3.9 A further Growth Fund allocation of £3.3m has been made to fund the next phase of the Bromley Town Centre public realm improvement works. It is proposed that once received this will be repaid from S106 receipts from the Langley Court redevelopment scheme.

Additional Projects

- 3.10 A report to the Executive in May 2016 considered a number of additional growth projects including: The development of joint venture options; A network of enterprise centres; Commercial opportunities on Opportunity Sites; Broadband infrastructure; and Addressing future growth forecasts.
- 3.11 Officers have explored the provision of an enterprise centre and workspace on both the Adventure Kingdom site and 9th floor of the Central Library Tower in Bromley town centre. An unsuccessful bid was made to the Mayor's Good Growth Fund in July 2017 in support of these projects. However, due to a combination of refurbishment costs and long term availability neither of these sites was able to be taken forward.
- 3.12 Officers continue to explore commercial investment opportunities on opportunity sites including the purchasing commercial leases.
- 3.13 The Council has used £14.5m of Growth Funding to make a number of strategic property acquisitions in both Bromley and Orpington town centres, generating £0.79k rental income. This has included a number of retail properties in Market Square Bromley and College Square in Orpington. The purchase of these properties will allow the Council a stronger role in any future redevelopment plans for these areas.
- 3.14 Feedback from local business organisations has highlighted the fact that variable broadband coverage across the Borough is impacting negatively on business growth rates. This is particularly true of areas in the south of Borough and around Downe and Biggin Hill. As part of an approach by the Downe Community Association Growth funding of £65k was approved for the installation of three fibre enabling cabinets which serve Downe Village, Chelsfield Old Village and part of Keaston –Laves Green End area.

Broadband Extension Project

- 3.15 The issue of poor broadband connectivity for both businesses and residents has also been identified as a funding priority by the Department of Digital, Culture, Media and Sport (DCMS)

and they have established a number of funding initiatives to address this issue. In Bromley there is variable coverage and limited access to ultra-fast, gigabit broadband services. Data from the House of Commons Library analysis of Ofcom's Connected Nations open data illustrates that Bromley, along with adjoining boroughs, suffers from a lack of Ultrafast Broadband connections (Map 1). This map illustrates that outside of a few isolated locations the majority of the business areas do not have access to Ultrafast broadband connections. A more detailed review of the median download speeds in 2017 (Map 2) illustrates that much of the borough, including the borough's strategic growth areas, are failing to achieve even modest download speeds in excess of 30 mb/s. This is clear evidence of a market failure to provide the level of connectivity businesses require to remain competitive and improve productivity.

- 3.16 A number of London Councils have been exploring ways of using Council owned assets to deliver enhanced Gigabit connectivity through the creation of new fibre and public wireless networks. A number have already secured commercial contracts under licence and through concessionary agreements to deliver enhanced Gigabit services and created public wireless networks to provide free WI-FI coverage in their town centres and industrial estates. These initiatives have been income generating to the individual Councils with limited if any outlay required.
- 3.17 A preliminary review of the Council's assets has identified that the Council own a 20km fibre network which was provided as part of a legacy infrastructure project with Nynex Communications in the 1990's. The network is currently used to carry cables for CCTV and the spine of the network covers the main business and residential areas of Beckenham, Penge, Bromley town centre, Orpington, and Crystal Palace (Map 3). There is an opportunity that this existing underused network could be extended to form a new full fibre network that would address the existing infrastructure deficit and act as a catalyst for increased productivity and business innovation in the borough's strategic growth areas. This will allow the borough to forge ahead with the take up of the next generation of applications for residential and business users and underpin the roll out of 5G networks. There would also be scope to improve connectivity to a range of public buildings and GP practices.

Business Rate Devolution Pilot - Strategic Investment Pot (SIP) Bid

- 3.18 Treasury funding of £52m has been allocated to this pilot to fund projects in London that support business rate growth. All 33 London Boroughs were requested to submit either solo or joints bids before 31st May 2018 deadline. Given the short timeframe available to prepare and submit preliminary bids, officers prepared a solo bid, in consultation with the Portfolio Holder for Renewal & Recreation, based on the growth work the Renewal team had undertaken to improve broadband infrastructure in the borough.
- 3.19 The bid focuses on scoping options to utilise the Council's assets to improve the Borough's Gigabit footprint and internet connectivity. This includes utilising, and potentially extending, the existing 20km fibre network. The bid seeks funding of £1.6m to carry out a detailed design and business case for a potential new Gigabit network and a contribution to the capital cost of providing any new network. It is proposed that any match funding for any successful bid would be drawn from the existing Growth Fund allocations of £6.79m set aside for the Cray Business Corridor and Biggin Hill SOLDC and would be subject to Executive approval. Bids are currently being evaluated and the results will be reported in September 2018. It is proposed that the results of the bidding round will be reported to Members following this announcement.
- 3.20 Notwithstanding the SIP bid it is proposed to use funds allocated to infrastructure projects from the New Home Bonus allocation to commission an external Consultant to:

- 1) Carry out a full audit of existing Council owned assets to assess the availability and condition of cable runs, rooftops and street furniture for delivering both Fibre and Public Wireless Networks.
- 2) To establish interest from private sector mobile cell operators, ISP providers and Fibre network providers in using council owner assets.
- 3) Produce a preliminary technical design and business case. This work will also provide technical and commercial advice to inform the production of a future tender specification. The business case will confirm income generation options and provide a network model of expanded service provision.
- 4) Option analysis of potential service delivery options.

4. POLICY IMPLICATIONS

4.1 The Local Plan report to Executive in February 2013 identified the maximisation of economic growth as a key policy objective. This included a commitment to identifying investment opportunities and undertaking key infrastructure improvements in the main growth areas of: Biggin Hill; Cray Business Corridor; and Bromley Town Centre. Work delivering the action plans is entirely consistent with Policy Objectives set out in Building a Better Bromley 2011 and Renewal & Recreation Portfolio Plan 2017/18. The work of the Renewal team links to the Building a Better Bromley priorities by working towards the provision of Vibrant and Thriving Town Centres. The Council's Digital ICT strategy seek to exploit existing Council owned assets to improve the borough's Gigabit footprint and internet connectivity.

5. FINANCIAL IMPLICATIONS

5.1 The table below provides a breakdown of the Growth Fund resources and the schemes that have been funded from it: -

Growth Fund	£'000	£'000
Total Funding Approved for the Growth Fund		<u>39,154</u>
Schemes Approved and Committed		
Purchase of 19-25 Market Square & 63 Walnuts	14,509	
Site G incl specialist advice	2,900	
Bromley Town Centre public realm scheme	3,308	
Renewal Team	310	
Feasibility works/Property disposal work	250	
Feasibility studies & strategic employment work	180	
Penge & Beckenham BID work	110	
Broadband Infrastructure projects	65	
Project officer for Bromley Market work	<u>40</u>	
		21,672
Schemes Approved but not Committed		
Biggin Hill & Cray Valley Corridor	<u>6,790</u>	
		<u>6,790</u>
Total Schemes approved		28,462
Uncommitted Balance on Growth Fund		10,692
Total		<u>39,154</u>

5.3 At the Executive of 24 March 2015, New Homes Bonus Funding of £300k was allocated to the Biggin Hill Enterprise Centre and Cray Corridor Growth Projects. To date £265k has been spent on projects that have kickstarted growth initiatives in these areas leaving a balance of £34k which will be used for infrastructure development, including the Broadband Consultancy work of up to £25k.

6. LEGAL IMPLICATIONS

- 6.1 In considering applications for the Growth Fund regards will need to be given to State Aid provisions where funds are provided. Each individual application to the Growth Fund will be assessed at the appropriate stage to ensure compliance with the State Aid provisions.

Non-Applicable Sections:	Personnel
Background Documents: (Access via Contact Officer)	