

To: City Executive Board
Date: 15 September 2016
Report of: Executive Director, Regeneration and Housing
Title of Report: European Regional Development Fund (ERDF) Innovation Projects – match funding

Summary and recommendations	
Purpose of report:	Request approval to commit match funding towards the Oxford City Council led element of the ERDF Innovation allocation for Oxfordshire, if successfully awarded funds.
Key decision:	Yes
Executive Board Member:	Cllr Bob Price, Corporate Strategy and Economic Development
Corporate Priority:	Vibrant, Sustainable Economy
Policy Framework:	Oxford Economic Growth Strategy
Recommendation(s):	That the City Executive Board resolves to:
1. Recommend Council to approve the required match funding to deliver the capital (£33,939) and revenue (£45,000) elements of the projects detailed in this report.	
2. Delegate authority to the Executive Director, Regeneration and Housing to enter into any necessary agreements to secure European Regional Development Fund funding	
Appendices	
Appendix 1: Risk Assessment	
Appendix 2: Equality Impact Assessment	

Introduction and background

- Officers have been working with local partners to deliver elements of the county-wide European Regional Development Fund (ERDF) allocation for Innovation. This includes the provision of a new co-working space for business start-ups linked to the Smart Oxford initiative initiated by OSP, of which the council is a leading partner. It also includes Programme Management resource to play a leading role in the delivery of the wider Smart Oxford strategic programme.

2. The 'Smart Oxford Incubator' is a collaborative co-working space, proposed within vacant accommodation in Oxford Town Hall. It will nurture and accelerate new and growing businesses in digital, technology and social enterprise sectors. This will enhance the pipeline of new growing businesses in these sectors, and promote public sector innovation and commercialisation.
3. A business case has been prepared by the Oxfordshire ERDF Innovation consortium and is with DCLG (Department for Communities and Local Government) for agreement. Members are asked to approve the authority for officers to accept the grant (if successful and subject to contract), and commit the required match funding to deliver the project.

Smart Oxford Incubator

4. There is a shortage of small business accommodation in Oxford. In line with the Economic Growth Strategy and the emerging OxLEP Innovation Strategy, officers are pursuing an aim to increase supply, and support a stronger network of enterprise centres and innovative spaces to support local business creation and accelerated growth. With the recent closure of 'the Hatch' in Little Clarendon Street, owned by Barclays and managed by 3Space (based on wider asset based considerations), the supply shortage for start-ups has been exacerbated.
5. To help address this issue, a group of partners has been brought together by officers, targeting specific business sectors with unmet and latent demand for workspace, whilst generating income through identification and use of under-utilised property assets. One such broad market segment is co-working provision - flexible workspaces that support collaborative communities of new entrepreneurs seeking a lean business model, and a workspace solution to enable a focus on accelerating innovative business ideas by working closely with their peers.
6. There is the availability of approximately 2800 sq. ft. (261 sq. m.) within the Town Hall that could be refurbished to support businesses attracted to co-working, whilst generating a modest return for the Council. A dedicated, standalone space accessed from Blue Boar Street of 1800 sq. ft. is immediately available as an initial phase.
7. Officers have received a proposal (agreed in principle, subject to contract) from Oxford Trust and Oxford Innovation, to lease and run the space as a not for profit operation. The space will be run in conjunction with a newly proposed 'Pod' co-working space in the Oxford Centre for Innovation (OCFI) and the space for more established businesses at One St Aldate's.
8. A core element of this proposal is that link between the Town Hall space and 'The Pod' at OCFI (plus the related Oxford Hackspace). It is intended that these co-working spaces are jointly managed and operated to maximise the benefits and ensure synergy across spaces for start-ups across the City, providing an affordable and supportive environment accommodating new business start-ups in a shared workspace.

9. The specific aims of this proposal include:

- a. Enhancing the supply and range of workspace available – up to 260m² (starting with a self-contained 170 m² space)
- b. Support the creation enterprises with growth potential – circa 40 enterprises over 3 years
- c. To remove barriers to enterprise for more local residents, reducing inequality
- d. Build on Oxford's reputation for innovation excellence and 'Smart City' ambitions
- e. To enhance the innovation ecosystem infrastructure within the city and link effectively with the wider enterprise/innovation space offering (e.g. the Oxford Centre for Innovation)
- f. To create a modest income for Oxford City Council to reinvest in services
- g. To remove match funding requirement for Smart Oxford by end of year 3
- h. To pilot an innovative concept that, if successful, might be scaled up within the city's wider regeneration programme (e.g. West End)
- i. To ensure a coordinated approach to meeting the support needs of business in-line with the Oxfordshire Business Support programme.
- j. Ensure the opportunity for local authority staff and academics to share knowledge, open challenges and ideas with members of the centre, to translate ideas to commercial enterprises more quickly.

Smart Oxford Programme Management (Fixed Term)

10. The ERDF funds provide opportunity to employ a dedicated, fixed-term (3 years), Programme Manager for Smart Oxford to ensure closer collaboration with business, boost sector development, and deliver products and services.

11. The Smart Oxford Programme Manager will be

- a. Engaging with businesses and organisations to support Smart Oxford and digital enterprises across the county
- b. Supporting the Smart Oxford Project Board
- c. Supporting community events and initiatives in the co-working space
- d. Co-ordinating support services to innovators and enterprises helping to develop and deliver projects and products that support Smart Oxford and wider smart city ambitions and aspirations across the county
- e. Help ensure Smart Oxford becomes a sustainable entity with an appropriate legal structure
- f. Lead and support fundraising initiatives including funding bids, investment and sponsorships
- g. Manage and co-ordinate up to 10 Smart Oxford workshops over three years
- h. Coordinate with colleagues on communications and marketing
- i. Provide leadership on Digital and Smart Oxford initiatives across the county
- j. Support open data platforms and linked initiatives that support business and product formation
- k. Build partnerships/collaborations to achieve aims
- l. Provide expert advice and support to innovators.

12. ERDF and City Council match funding will also ensure the commitment of additional resource from Oxfordshire County Council and the University of Oxford. The County Council, through the Transport Innovation Team, will commit resource of up to 1.5

FTE to work specifically on Smart Oxford projects and support. The University of Oxford will commit a post within the Knowledge Exchange and Impacts Team to work specifically on Smart Oxford projects and support. Taken together, this will ensure adequate resource of Smart Oxford to deliver against the vision and strategy that has been developed.

Financial implications

13. The costs and funding contributions are found in the table below:

ERDF Funded Innovation Projects						Total
	Year 1	Year 2	Year 3	Year 4	Year 5	
Item	£	£	£	£	£	£
Capital Expenditure	67,878	0	0	0	0	67,878
Revenue Expenditure (incl in kind)	45,547	45,547	45,547	0	0	136,641
Revenue Income	(16,200)	(16,200)	(16,200)	(16,200)	(16,200)	(81,000)
Sub-Total	97,225	29,347	29,347	(16,200)	(16,200)	123,519
Funded by:						
Oxford City Council (additional funding)	(48,939)	(15,000)	(15,000)	0	0	(78,939)
ERDF	(49,486)	(15,547)	(15,547)	0	0	(80,580)
Sub-Total	(98,425)	(30,547)	(30,547)	0	0	(159,519)
Net Impact for Project	(1,200)	(1,200)	(1,200)	(16,200)	(16,200)	(36,000)
Net Impact for City Council						(2,061)

14. The City Council's capital contribution would be £33,939, which would be matched by an ERDF grant and fund the works required to bring the accommodation into a usable condition. The Council funding would be taken from potential slippage in the capital programme, but repaid as a rental from the Incubator.
15. The City Council's revenue contribution would be £45,000 (£15,000 per year), which would be matched by an ERDF grant and fund the Incubator Manager for three years. There would also be a contribution in kind of £45,000 that would be staff time from the Economic Development team.
16. The City Council would receive a rental of £10 per sq. ft. per year for a lease of 5 years with an initial six months' rent free period. Based on the initial phase alone this would yield £81,000 over the five years, and repay the Council's revenue and capital contributions.
17. A decision from DCLG on the award of the ERDF funding is not known at this time and there may be uncertainties post-BREXIT. If the ERDF support is not forthcoming it is proposed to proceed with the capital works on the basis of a five year lease to the Incubator under normal Assets officer delegation provided the rental covered the capital outlay by the Council. However, we would not fund the Manager post to provide business support.

Legal issues

18. The lease of Council assets will have legal and contractual implications as will recruitment of a programme management resource over a fixed term. The acceptance of EU funds will also result in a 3-year contractual obligation.

Level of risk

19. The Risk Register is attached at Appendix 1

Equalities impact

20. Equalities Impact Assessment is attached at Appendix 2

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Background Papers: None

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