



Executive Director/Director Non-Key Executive Decision Report

Author/Lead Officer of Report: Ben Morley,
Head of Strategic Development and External
Programmes

Tel: 0114 223 2389

Report to: Executive Director - Place
Date of Decision: December 2017
Subject: Sheffield Digital Business Incubator

Which Cabinet Member Portfolio does this relate to? Business and Investment

Which Scrutiny and Policy Development Committee does this relate to? Economic and Environmental Wellbeing Scrutiny and Policy Development Committee

Has an Equality Impact Assessment (EIA) been undertaken? Yes No

If YES, what EIA reference number has it been given? See Cabinet Paper 9th March 2016

Does the report contain confidential or exempt information? Yes No

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-

"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."

Purpose of Report:

Sheffield City Council has been requested by the Department of Culture, Media Sport (DCMS) to receive and then act as Accountable Body for £3.5m of capital funding to establish a new facility providing work space, business incubation and other services for entrepreneurs and small and medium sized businesses (SMEs) based in the Sheffield City Region whose ambitions and business models rely on digital technologies and their applications.

Following a competitive selection process and acting as the Accountable Body for the funding, SCC has assessed a number of proposals and is now in a position to enter into a Funding Agreement for up to £3.0m with Northpoint CH Ltd for the development of Castle House into a work space and incubation facility for the 'tech

sector' and related businesses.

Recommendations:

The Executive Director of Place in consultation with the Cabinet Member for Business Skills and Development and the Director of Finance instructs the Director of Legal and Governance complete all the necessary documentation to give effect to the proposals.

Background Papers:

Cabinet Approval – 9th March 2016

Lead Officer to complete:-	
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.
	Finance: Damian Watkinson
	Legal: Sarah Bennett
	Equalities: Annemarie Johnstone
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	Lead Officer Name: Ben Morley
	Job Title: Head of Strategic Development and External Programmes
Date: 18th December 2017	

1. PROPOSAL

- 1.1 Sheffield City Council has been requested by the Department of Culture, Media Sport (DCMS) to receive and then act as Accountable Body for £3.5m of capital funding to establish a new facility providing work space, business incubation and other services for entrepreneurs and small and medium sized businesses (SMEs) based in the Sheffield City Region whose ambitions and business models rely on digital technologies and their applications.

Following a competitive selection process and acting as the Accountable Body for the funding, SCC has assessed a number of proposals and is now in a position to enter into a Funding Agreement for up to £3.0m with Northpoint CH Ltd for the development of Castle House into a work space and incubation facility for the 'tech sector' and related businesses.

2. HOW DOES THIS DECISION CONTRIBUTE ?

- 2.1 The 'Tech Sector' is a key growth sector for Sheffield and the wider City Region with the potential to generate a large number of high skilled, well paid jobs. The funding being made available for the establishment of this 'Tech work space' will be a boost to expanding the number of such businesses in future.
- 2.2 The proposal to establish the facility in Castle House at Castlegate will be a major boost for the regeneration of the area following the demolition of the Markets building and will form an important element of the Council's aspiration to change the nature of, and attract new uses into, the area, particularly in respect of creative and digital businesses and activities. It will also bring a large and distinctive Listed building which has been vacant for several years back into use.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 The Council was not required to consult on the proposal but undertook an open 'Call for Proposals' as part of a selection process to identify the grant beneficiary.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

- 4.1.1 An Equalities Assessment has previously been undertaken for SCC to act as the Accountable Body. This decision wholly aligns with the original assessment, which found that the proposal is considered to be equality neutral, affecting all Sheffield people equally regardless of their age, race, faith, gender, sexuality, gender, etc. However, it is likely to be positive for financial inclusion as it will create investment in the local economy and job creation and, by its nature, support young

entrepreneurs.

4.2 Financial and Commercial Implications

- 4.2.1 Sheffield City Council is the Accountable Body for the £3.5 million funding for the funding which was paid to the Council from DCMS via a Section 31 Grant. The proposed Funding Agreement complies with the key condition from DCMS being that the funding will only be spent on capital expenditure in accordance with Section 11 of the Local Government Act 2003.
- 4.2.2 The Funding Agreement commits up to £3.0m to the Castle House project to deliver the 'tech sector' work space. Funding will be drawn by the beneficiary retrospectively following completion of works in staged payments. A final assessment of the actual funding required will take place 15 years after Practical Completion of works in accordance with the State Aid regulations applicable to the Funding Agreement.
- 4.2.3 Up to £0.1m of the £3.5m has been made available to SCC to cover costs associated with progressing this development and monitoring thereafter.
- 4.2.4 Up to £0.4m remains unallocated from the original £3.5m grant from DCMS. Consideration as to how this funding will be utilised to support the 'tech sector' through capital investment will be undertaken during 2018.

4.3 Legal Implications

- 4.3.1 The Council has a general power under Section 1 of the Localism Act 2011 to do anything that an individual may generally do (which would include applying for and providing grants and providing guarantees) provided it is not prohibited by other legislation and the power is exercised in accordance with the limitations specified in the Act e.g. around charging for the provision of a service.
- 4.3.2 The Funding Agreement is considered compliant in respect to State Aid and will be provided under the Commission's General Block Exemption Regulation, Article 56 which enables the funding of local infrastructure. The beneficiary accepts liability should there be a successful challenge to the award of State Aid. An obligation, and associated right to clawback the funding, to use the grant for capital expenditure in accordance with Section 11 of the Local Government Act 2003 has also been included. Clawback provisions are also included to protect the Council and prevent non-delivery and poor performance in the project's early years.
- 4.3.3 A guarantee has been secured from U and I Group PLC to provide additional security to the Council.

4.4 Other Implications

- 4.4.1 None

5. ALTERNATIVE OPTIONS CONSIDERED

- 5.1 Alternative delivery mechanisms were considered at the time of the original Cabinet Decision at 9th March 2016. Since that time the Council has held an open and competitive selection process to identify the most appropriate beneficiary for the funding.

The selection process generated 5 Expressions of Interest of which two were taken forward for detailed analysis. The final selection was based on a range of relevant criteria and the highest scoring proposal taken through to detailed negotiation prior to entering into the Funding Agreement.

Consideration of the remaining balance of the Funding (£0.5m less SCC costs) will be given further consideration in 2018.

6. REASONS FOR RECOMMENDATIONS

- 6.1 Sheffield City Council has been requested by the Department of Culture, Media Sport (DCMS) to receive and then act as Accountable Body for £3.5m of capital funding to establish a new facility providing work space, business incubation and other services for entrepreneurs and small and medium sized businesses (SMEs) based in the Sheffield City Region whose ambitions and business models rely on digital technologies and their applications.

Following a competitive selection process and acting as the Accountable Body for the funding, SCC has assessed a number of proposals and is now in a position to enter into a Funding Agreement for up to £3.0m with Northpoint CH Ltd for the development of Castle House into a work space and incubation facility for the 'tech sector' and related businesses.