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Report of: Lorraine Manley, Executive Director of Place

Report to: Cabinet

Date of Decision: 19th February 2020

Subject: Discretionary Support for Inward Investment

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
- Expenditure and/or savings over £500,000	<input checked="" type="checkbox"/>	
- Affects 2 or more Wards	<input checked="" type="checkbox"/>	
Which Cabinet Member Portfolio does this relate to? Cabinet Member for Business Skills Development and Cabinet Member for Finance, Resources and Governance		
Which Scrutiny and Policy Development Committee does this relate to? Economic and Environmental Wellbeing Scrutiny and Policy Development		
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If YES, what EIA reference number has it been given? 596		
Does the report contain confidential or exempt information?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-		
<p><i>“The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).”</i></p>		

Purpose of Report:

This report seeks support for the provision of financial encouragement for inward investment into Sheffield in return for social and economic benefits. Specifically the proposal seeks approval to:

1) Agree a delegated arrangement to provide support for inward investment developments where such support demonstrates value for money and brings tangible benefits to the City.

2) Agree to the provision of a grant of £500,000 to secure an inward investment in to the Lower Don Valley that will generate over 1,500 jobs and up to a £309,500 contribution towards a grant that will create 90 jobs at Parkwood Springs.

Recommendations:

Cabinet is recommended to:

1) Endorse, in principle, the approach to encourage inward investment where such an investment can demonstrate value for money and social and economic benefits for the City.

2) To the extent not covered by existing delegations, delegate authority to the Executive Director of Place in consultation with the Cabinet Member for Business Skills Development, Cabinet Member for Finance, Resources and Governance and the Director of Finance and Commercial Services to make specific decisions on providing support for inward investment proposals that meet the following conditions:

- The proposed financial support is for genuine inward investment activity that will be new to the City.
- A value for money assessment, including the social and economic benefits, is included as part of the consultation with the nominated Cabinet Members.

3) Approve a £500,000 inward investment grant to Clipper Logistics Plc in respect to their investment at Shepcote Lane.

4) Approve a contribution up to £309,000 to Skyline Luge Sheffield in respect to a grant of £619,000 being provided by the SCRCA for their investment at Parkwood Springs.

Background Papers:

Not applicable

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: Ryan Keyworth
		Legal: Sarah Bennett
		Equalities: Annemarie Johnson
<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	EMT member who approved submission:	Lorraine Manley
3	Cabinet Member consulted:	Councillor Mazher Iqbal (Cabinet Member for Business and Investment) Councillor Terry Fox (Cabinet Member for Finance, Resources and Governance)
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: Ben Morley	Job Title: Head of Programmes and Accountable Body
	Date: 31/10/19	

1. PROPOSAL

- 1.1 This report seeks support for the provision of financial assistance to encourage and secure inward investment into Sheffield in return for direct social and economic benefits. Specifically the proposal seeks approval to:
- 1) Agree delegated arrangements to provide grants for inward investment developments where such support demonstrates value for money and brings tangible benefits to the City.
 - 2) Agree to the provision of a grant of £500,000 to secure an inward investment in to the Lower Don Valley that will generate over 1,500 jobs and contribute up to £309,000 towards a SCRCA grant of £619,000 to secure an investment at Parkwood Springs that will generate approximately 90 jobs.
- 1.2 Inward Investment can lead to significant social and economic benefits to the City and its residents in terms of access to additional jobs, wages and opportunities. It is a tool to target the creation of good jobs that pay a living wage and as a result promote health and wellbeing for employees and their families. Inward investments by their very nature represent new and additional activity within the City leading to the need to train and upskill potential employees as well as developing new supply chains within the local economy. Furthermore successful inward investments provide powerful marketing evidence to promote the City to other potential investors.
- 1.3 Inward investment activity is usually a competitive process with investors often having a number of potential locations in mind to establish their activity whether that be on a regional, national or international basis. In this context Sheffield is often well placed to attract inward investment by providing good value for money in respect to property and labour costs together with access to a skilled workforce, good communications and on the doorstep of a National Park. However other cities and regions can often match or better the Sheffield 'offer' in one or more these criteria and as such the provision of a grant can help to secure an investment in such a competitive market.
- 1.4 The offer of grants for Inward Investment is often provided by other parties e.g. the Sheffield City Region Combined Authority (SCRCA). They are often considered a 'last resort' measure to ensure an investment is secured and would be expected to be backed by an analysis of value for money together with an assessment of the wider strategic benefits. The value of money assessment is usually based on a range of factors including the number and type of jobs being created, training and transport provision to encourage local employment and the potential to establish local supply chains.

- 1.5 Where a grant is considered to represent value for money, experience has demonstrated that the ability to negotiate at speed and with the confidence that such funding will be forthcoming can make the difference between 'winning' or 'losing' an investment. Establishing a streamlined process for grants of this type, as they arise, would be a valuable tool to help secure appropriate inward investment benefits.
- 1.6 **SCR Business Investment Fund**
- 1.6.1 Sources of funding to support inward investment are limited but the importance of the activity has been recognised by the SCRCA and in recent years they have been the main source to provide Inward Investment grants to businesses through their Business Investment Fund (BIF).
- 1.6.2 The BIF is available to support Inward Investment proposals where there is an acceptable economic justification for the investment but under the approach each proposal requires the 'host' Local Authority (LA) to contribute up to 50% of the grant value where there is a material uplift in Business Rates. In such cases the SCRCA provides the initial grant to the investor and the LA reimburses the SCRCA over an agreed period of time as the uplift in business rates is realised.
- 1.6.3 The SCR have indicated that the 50% reimbursement will not be applicable where:
- a) The investor locates to an Enterprise Zone, on the basis that 100% of the Business Rate income is already committed to reinvestment in the area.
 - b) Where, subject to an 'affordability test' the uplift in business rates is not sufficient to reimburse the SCRCA in full or in part. For example, where a company locates to an existing building where rates are already payable there is no net additional uplift in business rate income as a result of the inward investment grant.
- 1.6.4 The SCR has recently approved a BIF grant of £619,000 for the Skyline Luge development at Parkwood Springs which has the potential to create 90 jobs and is considered a significant element of the wider redevelopment of the former ski village as well as significantly contributing to the Outdoor City Strategy. The facility will include up to three luge tracks and two zip wires and will be the first of its type in Europe.
- 1.6.5 It has been determined that this grant will require a 50% (£309,500) contribution from the Council but the amount will be capped at the lesser of the 50% contribution or 10 years net additional Business Rates resulting from the development.
- 1.6.6 At maximum cost of £3,433 per job, the value for money for the SCC investment is considered very good and will create job opportunities for

local residents of Parkwood Springs.

1.7 **Direct Grant Award**

1.7.1 The Clipper investment at Shepcote Lane represents an overall investment of c£20m. When Clipper first approached the Council and SCRCA for support they indicated that a grant of £1.65m would be the minimum necessary to select Sheffield as a preferred location for their investment. As part of the assessment it was made known that another 7 other sites were being considered by the future occupier with offers of grant attached.

1.7.2 The SCRCA process determined that a BIF grant of £1.15m could be made available and at this time SCC agreed in principle to provide the balance of up to £0.5m to achieve the target level.

1.7.3 As a result of this funding offer to Clipper the resulting occupier, Pretty Little Thing, have created 1,667 new jobs of which 50% are on full time contracts and of which 70% have been filled by Sheffield residents.

1.7.4 The relationship with Clipper and Pretty Little Thing has also enabled Talent Sheffield to broker introductions to key employability/skills agents in the City and put in place a wide range of interventions, including:

- Sheffield Futures – working with disadvantaged young people in Sheffield to receive opportunities in employment - 70 original hires.
- Through Opportunity Sheffield 56 local people have sustained employment for 4 weeks or more and of these, 10 have come through their specialist provider, Big Ambition, who work with individuals with mental health issues facing barriers getting back into employment.
- Fresh Start - Clipper's Fresh Start initiative, whose purpose is to train and hire people who have barriers to finding employment, includes ex- offenders. Numbers hired so far – 151.
- Schools: through the Working Ahead partnership, Clipper are partnering with over 10 schools in Sheffield and Rotherham to inform young people about the world of work, raise aspirations and increase the diversity of their workforce.
- Sector Based Work Academies: this ongoing programme carried out by Job Centre Plus and a local training provider aims to get unemployed/furthest from the labour market individuals job ready for warehouse roles – this is a rolling programme through which Clipper are hiring 12-13 per month.
- Upskilling the Workforce – Clipper are upskilling 60 Team Leaders & Managers over a 24 month period, and this is being partly funded through SCR Skills Bank 2, which is enabling such a significant amount of staff development.
- Sheffield Hallam University Logistics Apprenticeship - now in Year 2, with a cohort of approx. 18 apprentices per year.

- Be Well at Work Award – commitment to maximising the Health and Wellbeing of the whole workforce, with support from Sheffield City Council and Sheffield Occupational Health Advisory Service Progressing for Bronze award this year.
- English Language Training – Clipper are funding an in house ESOL programme (English for Speakers of Other Languages) for their staff as in excess of 20 languages are spoken on site.

1.7.5 The cost per job to the Council is £300 which represents exceptional value for money in the context of other inward investment activity undertaken nationally not just within Sheffield and the City Region. In the context of affordability of the investment it has been calculated that the £0.5m grant is equivalent to less than three years Business Rates income from the site which was previously unoccupied.

1.8 **Future Arrangements for Inward Investment Support**

1.8.1 In light of the need for the Council to act quickly and with certainty when negotiating on inward investment enquires it is proposed that delegated arrangements are put in place for the Executive Director of Place in consultation with the Cabinet Member for Business Skills, the Cabinet Member for Finance, Resources and Governance and the Director of Finance and Commercial Services to approve grants, within the parameters set out below:

- Grants shall only be made available for genuine inward investment activity that will be new to the City.
- A value for money assessment, including the social and economic benefits of the investment, is included as part of the consultation with the nominated Cabinet Members.

1.8.2 These criteria will be applicable whether the Council funding is provided as a standalone inward investment grant or part of a wider public sector package such as outlined in respect to the SCRCA BIF process. Any proposals that sit outside of the parameters will need approval under the Leaders Scheme of Delegation.

2. **HOW DOES THIS DECISION CONTRIBUTE?**

2.1 Strong economy

2.1.1 The proposal in this report aligns with the Council's objective to grow a stronger and fairer local economy. A strong, inclusive economy drives wage growth and living standards, improving peoples' lives. The proposal seeks to improve the ability of Sheffield to attract inward investment that will have direct and tangible economic benefits through good quality net new job creation, uplift in GVA and the development of supply chains.

2.1.2 The majority of Sheffield's new jobs will be created by growth in

indigenous companies. This is why the Council has protected investment in its business start up programmes and support for existing businesses via 'Business Sheffield'. Each year, Business Sheffield works with over 512 people who are looking to start a business. Of those, approximately 200 go on to start a business and we know that over 80% are still trading 12 months later, benchmarking Sheffield as one of the best places in the UK to start a business. Business Sheffield also works with approximately 600 established businesses each year who are looking to expand, providing support in crucial areas such as productivity, leadership, recruitment, business planning, export and sales and marketing and specialist tech scale up support.

- 2.1.3 As part of a balanced approach to economic development, inward investment provides a much needed boost of jobs and economic activity to supplement this indigenous growth. The Council therefore works to secure inward investment from companies that are able to provide good quality jobs for local residents and demonstrate a commitment to training, environmental sustainability and ethical practice.
- 2.1.4 Both the specific grants in this report and the parameters for future Council funding include considerations that support an inclusive, fair economy that creates more and better jobs. Factors that will influence future inward investment funding decisions include targeted approaches for people facing particular barriers to employment; salary levels including provision of the Living wage; environmental sustainability; and providing opportunities for progression and upskilling. The interventions attached to awarding Clipper a grant, outlined in paragraph 1.7.4, demonstrate the leverage that SCC can apply to new investments in the city, resulting in benefits for Sheffield people.
- 2.2 Thriving neighbourhoods and communities
 - 2.2.1 The use of Inward investments can be used to encourage the creation of economic and social betterment that might be lots of other parts of the country. They can also be used to target specific sites where an inward investor is flexible in their choice of location.
 - 2.2.2 In addition the provision of a grant can be used to encourage investors to develop employment opportunities within specific communities by running local jobs fayres, providing local transport and developing training programmes. The investment by Clipper at Shepcote Lane and subsequent occupation by Pretty Little Things has seen targeted benefits for local communities such as those in Darnell, Tinsley and Attercliffe.
- 2.3 Better health and wellbeing
 - 2.31 The link between employment and a secure income with health and wellbeing is well established. This proposal not only secures over 1,500

jobs for the City but enables the Council to look to secure other footloose inward investments with the social and economic benefits that follow.

2.3.2 Importantly with the use of a grant, the Council will have the ability to significantly influence an Investor to provide good quality employment contracts, wages at or above the living wage and encourage the use of apprenticeships and the provision of training programmes.

2.4 Tackling inequalities

2.4.1 Inward investments have the ability to create a range of employment opportunities from low skilled to highly technical roles. With the use of a grant to attract an Investor the Council will have the ability to significantly influence a range of measures by the investor to tackle inequality. These measures can include setting the lowest wages at or above the Living Wage, improving accessibility to the workplace for lower income employees, providing apprenticeships and training programmes to improve employee skills and opportunities. The extent of these measures will depend on the nature of the inward investor but without a funding relationship with the investor there is far less opportunity to secure these benefits.

3. HAS THERE BEEN ANY CONSULTATION?

3.1 The Council is not required to consult on the proposal.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

4.1.1 An Equality Impact Assessment has been undertaken and the overall impact of both recommendations - supporting two specific investments and the principle of delegating approvals of inward investment in the future are considered positive. Grants for inward investment under the proposed delegation will be provided based on both their economic and social impacts on the residents of Sheffield. In all cases it is expected that the investment will result in net job creation and opportunities to recruit from within Sheffield and develop local supply chains with Sheffield businesses will be proactively encouraged as part of any grant award. In addition investors will be expected to look at other initiatives such as the provision of transport and providing training to enable potential recruits and employees benefit from the activity.

4.2 Financial and Commercial Implications

Support to Skyline Luge (Parkwood Springs):

4.2.1 Based on the information currently available the Skyline investment is likely to lead to a net uplift in Business Rates for the Council of £15,000 to £53,200 per annum.

- 4.2.2 To secure total grant offer of £619,000 from the SCRCA to the development SCC will be required to contribute the lesser of 10 years Business Rates uplift or £309,500.

Support to Clipper Logistic Plc:

- 4.2.3 The Clipper investment brings back an empty building into use and results in significant social and economic benefits. With reference to affordability the estimated Year 1 Business Rate income from the development has been recently estimated at c£0.33m and as a result the £0.5m grant is equivalent to no more than 2 to 3 years Business Rate income from the development.

Future Inward Investment grants

- 4.2.4 All future grants to support inward investment under the proposed delegated arrangements will be considered against a value for money assessment where 'affordability', including a consideration of the impact on Business Rates, will be considered alongside the other social and economic impacts. This approach will apply whether the grant is made directly by the Council to the investor or by reimbursing the SCRCA as part of the BIF grant arrangements.

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 It is expected that the funding for the Clipper project and future Inward Investments will be provided as a grant through a Funding Agreement. It is expected that the nature of financial support outlined above will likely distort competition between member states of the EU and could be considered to constitute State Aid. In this respect each investment will be assessed for State Aid implications and where appropriate grant funding will be provided as lawful state aid under the provisions of either the De Minimis Regulations or the Commission's General Block Exemption Regulation, in particular Article 14 – Regional Investment Aid. There is a small risk that our interpretation of the relevant regulations may be challenged. In the event of a successful challenge the European Commission would seek to recoup the unlawful aid and so an obligation to repay the grant plus interest will be incorporated into each grant agreement.
- 4.3.3 Where necessary, additional security through guarantees or charges on property shall be put in place to protect the Council's position.

- 4.3.4 Where Council funding is provided via the SCR's BIF grant, the Council will enter into an Agreement to pay the SCR up to 50% of the investor grant over a period of up to 10 years, this period to be agreed with the SCR. In these circumstances the SCR will take full responsibility for the drafting of the Funding Agreement with the Investor and ensuring compliance with relevant legislation, including State Aid. This is applicable in respect to the Skyline Luge proposal.

5. ALTERNATIVE OPTIONS CONSIDERED

- 5.1 Being able to respond quickly, efficiently and with confidence to an inward investment enquiry is considered important to securing the investment together with the social and economic benefits that would result. Retaining existing approval arrangements is an option however it is considered that the delegated arrangements outlined in this report would provide certainty to negotiations with inward investors which in turn would increase the likelihood of securing such an investment in Sheffield.
- 5.2 No threshold for the size of grant to be agreed under the delegation has been identified. It is considered that an assessment of affordability alongside the economic and social benefits resulting from the investment will form part of the assessment process prior to consideration by the Members and Officer with delegated authority.
- 5.3 With regard to the Skyline Luge grant, the SCR funding will not be provided without the contribution from SCC. The overall grant will look to secure the Skyline investment in Sheffield rather than a number of other sites they are considering in the UK and across Europe.
- 5.4 In respect to the Clipper grant, the risk of not providing the grant would be significant reputational damage having indicated the funding would be forthcoming. The occupier, Pretty Little Thing, has delivered against the expectations associated with the grant offer and delivered significant benefits to the local community.

6. REASONS FOR RECOMMENDATIONS

- 6.1 Inward Investment has the opportunity to bring significant social and economic benefits to the City. In order to help attract and secure inward investment the Council has the ability to provide grant funding either through a direct grant to the investor or through a contribution to a grant provided by the Sheffield City Region Combined Authority Business Investment Fund where that is required. The benefits of supporting inward investment in this manner can include job creation, improved wages, bespoke travel arrangements, training programmes and the development of local supply chains with existing local businesses.
- 6.2 In order to ensure the Council has the ability to act quickly and in confidence with potential inward investors it is proposed that delegated

arrangements are established to enable grants to be provided where a value for money case can justify the investment.

- 6.3 In order to secure a £20m investment at Shepcote Lane that has now created over 1,500 jobs, approval from the Council is sought to confirm the provision of £500,000 to the investor. In addition up to £309,500 is required to support a £619,000 grant from the SCRCA towards an investment at Parkwood Springs that has the potential to create 90 jobs and create a new major leisure attraction in the City.