

**Manchester City Council
Report for Resolution**

Report to: Executive – 2 March 2016
Subject: Project Forward – Digital Incubator
Report of: The Chief Executive and the City Treasurer

Summary

This report informs the Executive of Project Forward, the local name given to the Government initiative to support the development of innovative businesses across the North through investment in tech incubators in Leeds, Manchester and Sheffield, which would nurture start-ups, foster collaboration, and provide mentoring, learning and business support.

Recommendations

The Executive is recommended to:

- i. Increase the Capital Budget by £4m in 2016/17, due to the award of grant funding from the Department for Culture, Media and Sport (DCMS);
 - ii. Note the purposes for which this grant will be used;
 - iii. Delegate to the City Treasurer in consultation with the Executive Member for Finance and Human Resources the decision to determine the ultimate accounting and funding treatment between capital and revenue funding; and
 - iv. Once the procurement exercise has been undertaken, request that a further report be brought back to the Executive, outlining the proposals to appoint a delivery partner.
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Wards Affected City Centre

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	<p>The project represents Government investment into the development of the Northern Powerhouse to both stimulate and deliver sustainable growth within Manchester and the wider Northern region of the UK.</p> <p>Investment into the digital and innovation and technology sector will build on the sectors current performance within the region.</p>

A highly skilled city: world class and home grown talent sustaining the city's economic success	Greater Manchester is currently the 3 rd largest UK industry cluster of digital technology businesses. The expansion of this sector will lead to new job creation through the growth and development of existing tech companies and the emergence of new start ups.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The increased job creation will require high calibre talent with a specialist knowledge base. The incubator will be ideally positioned to utilise postgraduates from both The University of Manchester and Manchester Metropolitan University. Individuals with an interest in the digital and technology sector will be encouraged to start up new businesses.
A liveable and low carbon city: a destination of choice to live, visit, work	The project is based on utilising an existing building to provide low cost business incubator space. The renovation work will increase the efficiency and carbon footprint of an existing city centre building.
A connected city: world class infrastructure and connectivity to drive growth	Development of a technology hub and support for the formation of a technology and digital cluster will also stimulate future investment both from within the UK and also Internationally

Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

There are no revenue consequences arising from this report.

Financial Consequences – Capital

The recommendations of this report propose increasing the capital budget by £4m funded by external grant from the Department for Culture, Media and Sport (DCMS).

It is possible that certain elements of the project may be revenue in nature, but this will be contained within the overall £4m funding envelope. The City Treasurer will determine the correct accounting and funding treatment in conjunction with the Executive Member of Finance.

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Background documents (available for public inspection)
None

1.0 Introduction

- 1.1 Aligned with the objectives and context of the Northern Powerhouse, the Government announced in the Spring Budget that it would be investing £11 million in tech incubators in the North of England. This announcement identified investment would be made into three new technology business hubs in Manchester, Leeds and Sheffield.
- 1.2. Capital funding for this initiative will be provided by The Department for Culture, Media and Sport. The allocation of resources to deliver this project in Manchester is £4 million. This sum will be paid directly to Manchester City Council. The grant letter states that the funding will be used to help delivery partners to secure and refurbish a property in the city centre to establish new facilities providing workspace, business incubation and other services for entrepreneurs and small and medium-sized businesses (SMEs) who rely on, and innovate in, digital technologies and their applications.
- 1.3 The UK has the largest digital sector in Europe. Between 2003 and 2013, the rate of growth within the UK digital sector grew at two and a half times that of the UK economy. Greater Manchester is currently the 3rd largest UK industry cluster of digital technology businesses after London and Bristol City Region.
- 1.4 Greater Manchester is a key hub of digital businesses in the north and is supported by the accessibility of graduate talent. The primary locations facilitating this within Greater Manchester are the Sharp Project, Media City (Salford) and the Northern Quarter in within the city centre.

2.0 Background

- 2.1 The initiative is closely aligned with the Northern Powerhouse, the Government's long term economic plan to rebalance and stimulate growth across the north of the country. Investment into digital and innovation, science and technology will play a key role in the development of a strong, thriving economy in the north.
- 2.2 As with all industries, new start ups in Manchester are essential in achieving the growth objectives of the city. Many new start ups including those within the technology and digital industry do not survive and those that do not fulfil their growth potential. This proposed investment will provide incubator space for digital business start ups.

3.0 Objectives

- 3.1 The objectives to be achieved by the investment are to: increase the supply of suitable small scale floor space for digital SMEs in the north; to accelerate the growth of the digital economy, digital SME's and the existing digital industry cluster within Manchester; to further build upon the city's existing successes within the digital and tech industry; and to increase the knowledge base and networking capacity of this industry.

- 3.2 Project Forward will establish a focal point within the city for attracting inward investment from technology businesses improving access to expertise and finance. One of its key objectives will be to create and sustain 2,000 jobs over the next decade. By developing this sector the industry should be well placed to increase high technology graduate retention from the city's Universities. The City Council via a procurement process will deliver a facility that demonstrates value for money and that remains fit for purpose and sustainable for the next 10 years. The project will facilitate the growth and expansion of business start ups, and encourage future relocations elsewhere within the city centre and the wider Greater Manchester region as the digital technology sector develops.
- 3.3 Officers are working with a number of 'project sponsors' - representatives from the digital sector, including some who are represented on the LEP. The project sponsors will play a pivotal role in determining the nature of the facility.

4.0 Progress and Current Position

- 4.1 City Council officers and the project sponsors are currently developing a vision document that articulates how the above objectives for the scheme will be delivered. This vision will form the basis of a procurement exercise.
- 4.2 The procurement exercise will identify a suitable delivery partner. The delivery partner will be required to secure a property to provide suitable accommodation and articulate how they will deliver the outputs, most notably, around how they will provide the platform and infrastructure to help these companies grow and jobs to be created within the sector. Once a delivery partner has been selected, Council officers and the project sponsors will oversee the delivery of the objectives and the application of the funding support.
- 4.3 A Board will be established to oversee the performance of Project Forward, provide governance for the business plan and ensure appropriate input from the digital technology sector throughout the life of the project. The City Council will be the accountable body responsible for managing implementation to deliver the desired outputs and outcomes.

5.0 Key Policies and Considerations

(a) Equal Opportunities

- 5.1 The facility must ensure equality and diversity amongst occupants and those directly employed.

(b) Risk Management

- 5.2 The risks will be considered as part of the project management process.

(c) Legal Considerations

5.3 The project team will work with the legal team to ensure that all the legal requirements and conditions of the grant are complied with and the necessary agreements are entered into with the selected entity.

6.0 Recommendations

6.1 Recommendations appear at the front of the report.