

**Manchester City Council  
Report for Resolution**

**Report to:** Executive – 14 December 2016  
**Subject:** Manchester Tech Hub – Digital Incubator  
**Report of:** The Chief Executive and the City Treasurer

**Summary**

This report informs the Executive of the outcome of a procurement exercise to award grant funding from the Department for Culture, Media and Sport (DCMS). The report outlines the proposals to appoint a successful delivery partner(s) to deliver a tech hub within the city centre.

**Recommendations**

The Executive is recommended to:

- i. Note the procurement process undertaken and the outcome of this;
- ii. Award a grant of £2 million each to Bruntwood / Manchester Science Partnerships Limited and Allied London Properties Limited for the establishment of two new tech hubs in the City Centre;
- iii. Delegate the approval of the detailed grant agreement conditions to the Chief Executive in consultation with the Leader and Executive Member for Finance and Human Resources; and
- iv. Authorise the City Solicitor to prepare and sign the grant agreement and associated legal documents subject to the delegated approval.

**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 will support the development of the digital sector and help to both stimulate and deliver sustainable growth within Manchester and the wider north.</p> <p>Investment into the digital and technology sector will strengthen the sector's current performance within the region and support direct and indirect job creation, talent attraction and retention. A key objective of the tech hub initiative will be to create and sustain 2,000 jobs over the next decade.</p>

<p>A highly skilled city: world class and home grown talent sustaining the city's economic success</p>	<p>Greater Manchester is currently the 3<sup>rd</sup> 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.</p> <p>Investment within the tech and digital sector will benefit organisations and entrepreneurs within other sectors.</p>
<p>A progressive and equitable city: making a positive contribution by unlocking the potential of our communities</p>	<p>The incubator will support jobs for local residents in the digital and technology sector who will be encouraged to start up new businesses.</p> <p>Manchester has a strong reputation as a leading location for tech / digital business and skill development The Hubs will seek to enhance this further.</p>
<p>A liveable and low carbon city: a destination of choice to live, visit, work</p>	<p>The project is based on utilising an existing building to provide low cost business incubator space.</p>
<p>A connected city: world class infrastructure and connectivity to drive growth</p>	<p>Development of technology hubs and support for the formation of a technology and digital cluster will also stimulate future investment both from within the UK and also internationally.</p>

**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 capital expenditure of £4m will be funded by external grant from the Department for Culture, Media and Sport (DCMS).

It is likely that the £4m grant will be paid pro-rata as space is delivered and made available for occupation

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**Background documents (available for public inspection):**

1. Report to Executive – Project Forward – Digital Incubator - 2 March 2016

## **1.0 Introduction**

- 1.1 A report was considered at the Executive on the 2 March 2016, detailing Government's announcement in the Spring Budget that it would be investing £11 million in tech incubators in the North of England at three new technology business hubs in Manchester, Leeds and Sheffield. Capital funding allocation of £4 million for this initiative has been provided for a Manchester Tech Hub.
- 1.2 The terms of the grant state that the £4 million should be used 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, while at the same time increasing the efficiency and carbon foot print of the building.
- 1.3 It is anticipated that the creation of the tech incubator will lead to new job creation through the growth and development of existing tech companies and the emergence of new start ups. A key target of the project is to create and sustain 2,000 jobs over the next 15 years.
- 1.4 Officers conducted a bidding process, to ensure that the grant application can deliver the required criteria of the award, and achieve best value for money for the public sector.

## **2.0 Background**

- 2.1 MCC invited Expressions of Interest to apply for £4m of government grant funding to secure and refurbish a property in Manchester City Centre to create a Tech Hub to provide business incubation services. As a grant application process, it is not subject to procurement legislation, but is governed by general principles of fairness and transparency.
- 2.2 The key criteria were as follows:
  - (i) The successful applicant must have legal title to a property in Manchester City Centre.
  - (ii) The property should have a minimum of 70,000 sq ft of available space.
- 2.3 Expressions of Interest were received from 5 potential applicants of which 3 met the key grant criteria.

## **3.0 Progress and Current Position**

- 3.1 Following the evaluation process, proposals from the two of the three bidders Allied London and Bruntwood / Manchester Science Partnerships scored equally well. The proposal submitted by the remaining applicant scored significantly less than the other submissions. There were significant concerns about the lack of secured funding and viability in relation to the sustained long

term operation of the proposed tech hub. In light of this scoring, the proposal was ruled out.

- 3.2 Given the scoring on the submissions made by Allied London and MSP Bruntwood, officers believe that there is a strong case for sharing the grant equally between the two applicants. Following clarification of the applications, both applicants have confirmed that they are able to deliver the same quantum of space but for half the cost, namely 140,000 sq ft of space equating to a greater number of business start ups and jobs created in the City beyond the 2,000 specified in the grant letter. Such an offer is inherently attractive from a public sector value for money perspective.
- 3.3 The Allied London tech hub will be located within Enterprise City, St John's. This development comprises of 600,000 sq ft of digital & creative tech commercial floorspace. The Bruntwood / MSP tech hub will be located at Oxford House. This location is within the Circle Square development, a major new tech and science business destination.
- 3.4 Officers have discussed this option with DCMS and have been advised that splitting the grant between the two parties is appropriate, given the combined award not only meets but exceeds the requirements set at the outset of this process.
- 3.5 It will be necessary to work closely with the successful bidders to further develop how engagement with the tech sector will take place. It is clear that each of the offers reflects a particular specialism and the obvious distinction between the two Manchester Tech Hubs would see Allied London focusing on Retail / Media / TV and Bruntwood / MSP focusing on Data Science and Innovation. Separate branding strategies within an overarching tech hub framework could be developed to promote these specialisms.
- 3.6 Tech North and the Manchester Growth Company will also be invited to support the development of both Hubs, and to assist in the monitoring of the required outputs.
- 3.7 Governance of the project will be provided by a Monitoring Board consisting of representatives from MCC and representatives from Manchester LEP. This panel will monitor the delivery of the project, compliance with the terms and conditions of the Grant Agreement, and will evaluate Quarterly Monitoring Reports to ensure that the outputs in respect of job creation and performance are being met.

#### **4.0 Key Policies and Considerations**

##### **(a) Equal Opportunities**

- 4.1 The proposals are aimed at facilitating the growth of the region's tech and digital sector alongside significant job creation. The facility must ensure equality and diversity amongst occupants and those directly employed.

**(b) Risk Management**

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

**(c) Legal Considerations**

- 4.3 MCC will enter into grant agreements with the two successful applicants. The agreements will be drafted by the legal team and will include a number of key targets upon which the funding will be contingent. In the event that key targets and outputs are not met, there will be a mechanism to claw back the funding accordingly.