To the Chair and Members of the CABINET

ROBIN HOOD AIRPORT BUSINESS PARK DEVELOPMENT, FINNINGLEY

### Relevant Cabinet Member(s) | Wards Affected | Key Decision
--- | --- | ---
Cllr Mordue | Finningley (Project Location) | K1295
 | All wards (Job Creation) |  |

**EXECUTIVE SUMMARY**

1. The Growing Places Fund (GPF) is funding from national Government devolved to Local Enterprise Partnerships (LEPs) across the country. The Sheffield City Region (SCR) has been allocated £18m overall, with projects selected by the SCR LEP.£7m from the GPF has already been combined with £18m from the 2007-2014 European Regional Development Fund (ERDF) programme to create a revolving commercial business loan fund for South Yorkshire. This fund is called JESSICA (Joint European Support for Sustainable Investment in City Areas).

A local company is seeking a loan of £1.01m from the GPF to bridge the financial gap in the construction of 4,088m² of business space at Robin Hood Airport Business Park, Finningley. **The project will create up to 113 jobs and is located in the Sheffield City Region Enterprise Zone (Doncaster).** This would be in conjunction with a loan from the JESSICA fund.

Acting as the accountable body for GPF, Sheffield CC (SCC) is not prepared to offer a GPF loan to the private sector outside Sheffield because of state aid risks (this issue is covered later in the report), however they are prepared to award GPF to Doncaster Council and thereafter for the Council to pass this funding to the private company.

It is the intention of this proposal that all risks associated with accepting the GPF loan from SCC are transferred onto the local company, with the relevant clauses contained within legally binding funding agreement.
EXEMPT REPORT

2. There are a number of legal, financial and commercial matters contained within Appendix A of this report which are commercially sensitive information. APPENDIX A is NOT for publication because it contains exempt information within Paragraph 3 of Part 1 of Schedule 12 (a) of the Local Government Act 1972 (as amended) information relating to financial or business affairs of any particular person (including the authority holding that information).

RECOMMENDATIONS

3. (a) That Doncaster Council applies for a maximum of £1,010,000 from the SCR GPF and subsequently transfers this funding to the private company (details in Appendix A) for the purpose of developing 4,088m² of business space and associated infrastructure at Robin Hood Airport Business Park, Doncaster.

(b) That Doncaster Council enter into a GPF agreement with Sheffield City Council on condition that financial and legal risks remain the responsibility of Sheffield Council (accountable body for GPF) or can be transferred to the private sector company identified in Appendix A.

(c) That Doncaster Council enters into an agreement with the private sector identified in Appendix A to provide 4,088m² of flexible business accommodation at Robin Hood Airport Business Park, Doncaster.

(d) In consultation with the Mayor, Authority be delegated to the Director of Regeneration & Environment (or in his absence the Assistant Director of Development) in consultation with the Director of Finance & Corporate Services (or in his absence the Assistant Director of Finance and Performance) to conclude satisfactory funding agreements with Sheffield City Council and the private sector company identified in Appendix A.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

4. Doncaster has 6405 active businesses. Ranked 58/64 in the UK for business density and 57/64 for business start-ups, Doncaster needs to increase the number of companies that are growing from ‘small’ (10-49 employees) to ‘Medium’ (50-249 employees). This proposal works towards the creation of modern accommodation with potential to generate 113 jobs.

Doncaster has fewer private sector jobs than it should for its population, presenting a major barrier to delivering economic growth. Part of the Airport Business Park was designated an Enterprise Zone in 2013/14. Doncaster MBC continues to promote the business district as a nationally significant employment site, however a lack of business confidence still prevails across the SCR and investment levels in new accommodation at the enterprise zone have reflected this.
BACKGROUND

5. SCC fulfils the accountable body role and delivers the GPF and JESSICA through a South Yorkshire Urban Development Fund (UDF), with the delegated authority and responsibility for the day to day business of the UDF.

In the case of the Robin Hood Airport Business Park, an independent assessment, based on viability and value for money, has recommended that £1,010,000 GPF is offered to Doncaster MBC, arranged as a first loss loan. This means that the GPF would not be repaid until a planned JESSICA loan has been fully repaid and the developer has achieved a profit of 15%.

On completion of the financial package, slight adjustments may be required to each funding partner’s contribution; however the £1.01m GPF would remain a maximum permitted by Doncaster Council.

The GPF would be paid direct to Doncaster Council, therefore the Council would be responsible for scrutinising if any GPF is due back to the Sheffield City Region in the future.

The remaining £11m GPF is being distributed to projects, approved by the South Yorkshire JESSICA Board. This includes £2m deferred loan for FARRRs. Doncaster MBC is a constitute member of the JESSICA Board.

OPTIONS CONSIDERED

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<thead>
<tr>
<th>OPTION</th>
<th>DESCRIPTION</th>
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<tr>
<td>Do Nothing</td>
<td>The option of doing nothing has been considered. This would leave a significant gap in the provision of accommodation, impacting on the opportunities for SME’s. Potential occupiers or Foreign Direct Investment will be forced to look elsewhere, potentially in other EU countries.</td>
<td>No investment in SEP priority to create conditions for investment and growth. Site remains in disused state. There are a number of barriers inhibiting the participation of the private sector, which will need to be addressed as a priority through devolution of funding to the SCR LEP for their growth targets to be achieved.</td>
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<tr>
<td>Preferred option</td>
<td>Creation of 4,088m² of accommodation on 1.01 hectares of brownfield land.</td>
<td>Initial public investment in development sites such as the Robin Hood Airport Business park is required</td>
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<td>Fund of £1.01m awarded to the project</td>
<td>Creation of up to 113 jobs and £820,973 of private sector contribution. Generate a £1.7m loan facility from JESSICA.</td>
<td>to create conditions under which the property market in the Enterprise Zone will work effectively with little, or no public intervention.</td>
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<tr>
<td>Smaller scale development</td>
<td>A smaller scale option might be contributing to the refurbishment of older buildings around the airport business park.</td>
<td>These sorts of spaces are inflexible and ill suited to the demands of the market.</td>
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<tr>
<td>Postpone delivery</td>
<td>Postponing delivery of the project would remove the opportunity of GPF resulting in the project not going ahead.</td>
<td>Other sources of funding are unlikely to be available. If GPF is not secured, there would be no other funders to unlock the financial package required for the project to go ahead. The risk is that the market does not improve to the levels required to allow non-public aided speculative development to take place. Timescales and the likelihood of this taking place are the basis for rejection of this option.</td>
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**REASONS FOR RECOMMENDED OPTION**

7. With assistance from the 2007-2013 European Regional Development Fund (ERDF), a development of 41 workpods is underway at Robin Hood Airport Business Park, built by another private sector company. Business Doncaster report that there is interest in these units, however this development is not in the Enterprise Zone, which has yet to attract major investment.

This new proposal would provide a catalyst to investment and business confidence in the Enterprise Zone.
## IMPACT ON THE COUNCIL’S KEY PRIORITIES

### Priority | Implications
---|---
We will support a strong economy where businesses can locate, grow and employ local people.  
- **Mayoral Priority: Creating Jobs and Housing**  
- **Mayoral Priority: Be a strong voice for our veterans**  
- **Mayoral Priority: Protecting Doncaster’s vital services**  
| Doncaster is seeking a continuous programme of investment in the Enterprise Zone.  
While some investment has commenced, the level of investment is slower than expected. This project will provide investment and jobs, but also generate investment confidence in the enterprise zone.  
Investment from GPF and JESSICA will support the creation of employment opportunities within Doncaster’s enterprise zone.  
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Investment from GPF and JESSICA will ensure the creation of employment opportunities within Doncaster’s enterprise zone, thus assisting in the delivery of the Mayoral priority, creating jobs.  
Improved local employment opportunities and improved access to services and employment locations provided by the Sheffield City Region Gateway project which services the Robin Hood Airport Business Park and Enterprise Zone.  
We will help people to live safe, healthy, active and independent lives.  
- **Mayoral Priority: Safeguarding our Communities**  
- **Mayoral Priority: Bringing down the cost of living**  
| Not Applicable.  
We will make Doncaster a better place to live, with cleaner, more sustainable communities.  
- **Mayoral Priority: Creating Jobs and Housing**  
- **Mayoral Priority: Safeguarding our Communities**  
- **Mayoral Priority: Bringing down the cost of living**  
| We will support all families to thrive.  
- **Mayoral Priority: Protecting Doncaster’s vital services**  
| Not applicable.  
We will deliver modern value for money services.  
| An independent value for money assessment has been carried out by CBRE Ltd. The recommended funding is the minimum required to ensure that the
We will provide strong leadership and governance, working in partnership. This agreement provides an opportunity for the public and private sector to collaborate in the development of Doncaster’s Enterprise Zone.

RISKS AND ASSUMPTIONS

9. Growing Places Fund

While the opportunity exists for Doncaster Council to work in partnership with the private sector to create development at Robin Hood Airport Business Park (Enterprise Zone), there are a number of specific conditions and assurances which the Council would seek. These include:

- Duty of care to be retained by Sheffield City Council through the JESSICA process;
- The process and scope of monitoring requirement (where this adds value to the JESSICA process) relating to the completion of the scheme and the profit achieved by the developer;
- The Council is fully protected from legal risks associated with the completion of the scheme;
- The Council is fully protected from financial risks, in particular what would happen if the private sector company ceased trading.

For the purpose of the GPF:
- the Council will only be responsible for the provision of 4,088m² of speculative business space;
- Fees incurred by DMBC in relation to undertaking its legal and financial responsibilities will be recouped from the private sector identified in Appendix A;
- The Council will draw funding down from Sheffield City Council at the dates agreed by both parties in the GPF agreement, but will not pass funds to the private sector until completion of the project and the delivery of all conditions in the GPF agreement.

State Aid.

First loss loans from GPF to the private sector remain unpaid until after full reimbursement on the JESSICA loan is complete and a profit of 15% is achieved by the beneficiary. 'First loss' means the most junior risk tranche that carries the highest risk of losses. Therefore it would trigger European State Aid conditions if repayment of the GPF loan is never achieved.

The European Commission allows state aid if the amount is below 200,000 euros within three fiscal years (De Minimis). Aid above this level is permitted by the European Commission (EC) if it is captured under a series of measures, known as a General Block Exemption Regulation (GBER). To provide state aid under the GBER, organisations (such as Local Authorities) have to submit a scheme proposal (containing the measures they wish to use) to the Commission for approval.
The decision by Sheffield CC not to provide first loss loans directly to the private sector outside Sheffield is because they do not have this permission, whereas Doncaster Council has already secured permission from the EC for the period 1st January 2015 to 31st December 2020.

Under Doncaster Council’s GBER Scheme: Doncaster Aid for Land and Property, this project meets the conditions under measure (14): Regional Aid, providing economic assets and jobs within the UK’s Assisted Area. If beneficiaries are small or medium enterprises (SME’s), regional aid permits state aid up to a maximum of 30% of the total eligible costs. The private sector company has confirmed that they are small enterprise and therefore are eligible for the maximum intervention rate.

JESSICA is provided on a commercial basis so is not considered State Aid.

The Council will work with the State Aid Unit at the Department of Business, Innovation and Skills to identify the eligibility of the works under Measure 14 (Regional Aid).

LEGAL IMPLICATIONS

10. The Localism Act 2011 provides the Council with the general power of competence which allows a Local authority to do anything which an individual may generally do.

The Council will need to carefully consider the operation of this proposal in order to minimize the risk of challenge, in particular

The Council will need to carefully consider the application of State Aid rules and consider whether businesses should be required to contractually commit to the delivery of outputs in advance of the provision of the GPF.

As required by Financial Procedure Rules, the Council should enter into a funding agreement with both the beneficiary and Sheffield City Council (“SCC”). It is essential that any obligations which are placed upon Doncaster Council by SCC are mirrored in the agreement between Doncaster Council and the beneficiary (particularly in relation to any clawback provisions). Going forward, it is essential that the project team are fully aware of the contents of any funding agreement and that they contract-manage the process stringently.

As stated by the report author, the Council will draw funding down from Sheffield City Council at the dates agreed by both parties, but will not pass funds to the beneficiary until completion of the project and the delivery of conditions set out in the funding agreement. Funding should therefore be paid to the beneficiary in arrears which will significantly lessen the risks to Doncaster Council.

The Council will be responsible for determining the profits attributable to this project and thereafter, whether there are any monies are to be repaid to the Sheffield City Region, it is expected that the means of doing this will be outlined within the funding agreement between SCC and Doncaster Council (the terms of which we have not yet had the chance to advise upon). Administration fees incurred by Doncaster Council can be claimed from the
recipient.

The Report author advises that the Council has already obtained a General Block Exemption Scheme for State Aid for land and property, the report author further advises that this project meets the condition under measure (14) Regional Aid: providing economic assets and jobs within the UK’s assisted area if the beneficiaries are small or medium sized enterprises (SME). The beneficiary has confirmed that they are SME, the aid will not therefore be classed as illegal state aid and there are no legal obstacles to the project proceeding.

FINANCIAL IMPLICATIONS

11. Financial Procedure Rule E14 requires the approval of Cabinet for all grants and annual assistance to external bodies with a financial value of £50,000 or more. Financial Procedure Rules E15 and E16 place more detailed requirements on officers involved in grants to outside bodies.

As stated above the local company’s obligations under their agreement with the Council need to mirror the Council’s obligations under its agreement with Sheffield City Council. Even when this is the case there is still the risk that the Council is obliged to repay grant back to Sheffield City Council but is unable to recover the money from the local company – for example if the company encounters financial difficulties. To protect the Council, funding claimed by the Council will only be transferred to the private sector on completion of the project and the creation of 4,088m² of business space.

It has previously been agreed that additional business rates in the Enterprise Zone will be used by Sheffield City Region Combined Authority to promote inward investment rather than directly benefitting the Council.

HUMAN RESOURCES IMPLICATIONS

12. There are no Human Resource Implications contained within this report.

TECHNOLOGY IMPLICATIONS

13. This project will be built and operated by the private sector and will not impact on the Council’s ‘Digital Council’ Programme.

EQUALITY IMPLICATIONS

14. Decision makers must consider the Council’s duties under the Public Sector Equality Duty at s149 of the Equality Act 2010. The duty requires the Council, when exercising its functions, to have ‘due regard’ to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the act, and to advance equality of opportunity and foster good relations between those who share a ‘protected characteristic’ and those who do not share that protected characteristic.

CONSULTATION
15. Consultation has been conducted on the proposal, including colleagues within Regeneration & Environment, Finance and Corporate Services, Sheffield City Council and Private Sector organisations concerned.

This report has significant implications in terms of the following:

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<td>Human Resources</td>
<td>Human Rights &amp; Equalities</td>
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<td>Buildings, Land and Occupiers</td>
<td>X Environment &amp; Sustainability</td>
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<td>ICT</td>
<td>Capital Programme</td>
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BACKGROUND PAPERS

16. Appendix A – Which is not for publication.

REPORT AUTHOR & CONTRIBUTORS

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