Sunderland
City Council

# CABINET MEETING – 10th MARCH 2010

# EXECUTIVE SUMMARY SHEET – PART I

**Title of Report:**
DEVELOPMENT OF SUNDERLAND SOFTWARE CENTRE

**Author(s):**
CHIEF EXECUTIVE AND DIRECTOR OF FINANCIAL RESOURCES

**Purpose of Report:**
To advise Cabinet of the details of the development of the Sunderland Software Centre project and to seek approval to the funding package and proposed method of procurement.

**Description of Decision:**
Cabinet is requested:
a)    To approve a contribution of £2.6 million to be met from the Working Neighbourhoods Fund;
b)   To agree to the location of the building on the site of the Tavistock Place Car Park;
c)   To authorise the Deputy Chief Executive to procure the building in accordance with the details set out in this report.

**Is the decision consistent with the Budget/Policy Framework?**        *Yes/~~No~~

**If not, Council approval is required to change the Budget/Policy Framework**

**Suggested reason(s) for Decision:**
- This project contributes towards addressing the Council's priority for economic growth and developing a diverse economic base.
- The development of the Software City concept has demonstrated excellent partnership's working levering in significant external funding.
- The opportunity to secure the funding package will enable the project to be delivered quickly.

**Alternative options to be considered and recommended to be rejected:**
None

| **Is this a "Key Decision" as defined in the Constitution?**          Yes | **Relevant Scrutiny Committee:** Prosperity and Economic Development |
|---|---|
| **Is it included in the Forward Plan?**                  Yes | |

**DEVELOPMENT OF SUNDERLAND SOFTWARE CENTRE**

**REPORT OF THE CHIEF EXECUTIVE AND DIRECTOR OF FINANCIAL RESOURCES**

**1.      PURPOSE OF REPORT**

1.1     To advise Cabinet of the details of the development of the Sunderland Software Centre project and to seek approval to the funding package and proposed method of procurement.

**2.      DESCRIPTION OF DECISION**

2.1     Cabinet is requested:

a)    To approve a contribution of £2.6 million to be met from the Working Neighbourhoods Fund.

b)    To agree to the location of the building on the site of the Tavistock Place Car Park.

c)    To authorise the Deputy Chief Executive to procure the building in accordance with the details set out in this report.

**3.      BACKGROUND**

3.1     The concept of developing a software sector in Sunderland and the wider region was first discussed in June 2006 at a meeting between ONE North East, Sunderland City Council, Sunderland University and the chairman of the Leighton Group, who is also the Deputy Chairman of One NorthEast.

3.2     The concept was for Sunderland to lead on delivering a centre for excellence in software, which would create new business and job opportunities.

3.3     A study was commissioned and paid for by ONE North East to assess the feasibility of the concept.  This report, carried out by Deloitte's, confirmed that Sunderland had the relevant track record and appropriate environment to deliver this project.

3.4     A Software City Board was established consisting of the City Council, Sunderland University, ONE North East, Business Innovation Centre, Codeworks Connect and the Chairman of the Leighton Group.

3.5     Further work was commissioned by consultants to identify a suitable site in the City for a new Software Centre.

3.6     The purpose of the Software Centre is to start, attract and grow software businesses in Sunderland by the provision of high quality office space and the appropriate technical infrastructure.

## 4.     CURRENT POSITION

4.1     DTZ, who carried out the study to identify a suitable site, recommended that the Council-owned Tavistock car park site is the most suitable and deliverable in the timescale for the project.  This report also confirmed the findings of the Deloitte report which demonstrated the demand for this type of accommodation.

4.2     In January 2010 the ONE North East Board approved a single programme grant of £2,952,300 and an ERDF grant £4,750,622 making a total of £7,702,922.  In addition, ONE North East had already spent £250,000 on preliminary work on this project.  ONE North East's funding package is conditional upon the Council's contribution of £2.6 million.

4.3     The Council's contribution consists of an amount of £2million towards the capital costs of the project, and a further £0.6million, which will be used to support the revenue costs of the project in its early years as the Software Centre comes into operation and builds up to full operating capacity. It is anticipated that this pump priming deficit funding will be recouped from operating surpluses in future years once the Centre is operating to optimum capacity.

4.4     It should also be noted that the site, which is owned by the Council, is valued at £325,000, and that this is an additional contribution from the Council to the project which is matched against ERDF funding. Council officers are considering proposals to mitigate against the loss of the car parking facilities at the Tavistock site and a further report will be submitted to Cabinet.

4.5     The building will be procured, owned and operated by the City Council.

4.6     The Software Centre will extend to approximately 50,000 sq ft and will create up to 140 jobs in 20 businesses.

4.7     This new centre will enable the businesses to develop, grow and create more high quality jobs in the future.  The Council's Evolve business centre at Rainton Bridge has proved to be an excellent example of how such a facility can create new businesses and high quality jobs.

4.8 It is expected that following Cabinet approval the procurement and construction of the building will be completed by the first quarter of 2012.

## 5 REASON FOR DECISION

5.1 This project contributes towards addressing the Council's priority for economic growth and developing a diverse economic base.

5.2 The development of the Software City concept has demonstrated excellent partnership's working levering in significant external funding.

5.3 The opportunity to secure the funding package will enable the project to be delivered quickly.

## 6. ALTERNATIVE OPTION

6.1 Not to go ahead with the project would mean that the city would not be in a position to develop and grow a new software sector and would lose the potential for new jobs growth.

## 7. FINANCIAL IMPLICATIONS AND RISK ASSESSMENT

7.1 The capital cost of the project is estimated to be £9,702,922 which will be funded by a Single Programme grant of £2,952,300 from ONE, an ERDF grant of £4,750,622 and a Council capital contribution of £2million. The Council's capital contribution will be met from the Working Neighbourhoods Fund grant.

7.2 Revenue pump priming funding of £0.6million will also be provided by the Council funded from Working Neighbourhoods Fund grant. It is anticipated that this pump priming deficit funding will be recouped from operating surpluses in future years once the Centre is operating to optimum capacity.

7.3 The Tavistock site is currently an operational off street car park. There are two principal financial implications which arise:

- contributing the site, which is currently valued at £325,000, to the project, will not generate a capital receipt;
- whilst it is considered that the majority of the displacement of cars parking at Tavistock will be to other car parking facilities operated by the Council e.g. Sunniside Multi Storey Car Park and surface car parks in Tatham Street and Nile Street areas, and thus the impact on car parking income will be broadly

neutral, some migration may take place to privately owned car parks and other users may change their travel arrangements which could lead to a loss of income. The current annual income of the Tavistock Car Park is £150,000. When the further report (referred to at paragraph 4.4 has been submitted to Cabinet and the impact on future car parking arrangements and income assessed, provision for any residual negative impact on existing levels of car parking income will be included in the Medium Term Financial Strategy as appropriate.

## 8.    BACKGROUND PAPERS

8.1    Sunderland Software City file.