

COAST TO CAPITAL LOCAL GROWTH FUND BUSINESS CASE

Project Title:	SInC Innovation Space
Lead delivery organisation:	Sussex Innovation Centre
Lead contact name:	Mike Herd
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This document provides a template for a Business Case (BC) in support of Coast to Capital's investment in a project to be funded through the Local Growth Fund.

The main purpose of the BC is to put forward the case for change and the preferred way forward identified in an internal Strategic Outline Case (SOC); which establishes the option which optimises value for money; outlines the deal and assesses affordability; and demonstrates that the proposed scheme is deliverable.

In practice, you will find this entails updating the strategic case; undertaking investment appraisal within the economic case; and completing the commercial, financial and management cases, with supporting benefits and risk registers.

Please note that this template is for guidance purposes only and should be completed in accordance with any guidance issued by Coast to Capital and the guidelines laid down in HM Treasury's Green Book which can be found at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf

The OBC should cover the 5 cases – the Strategic case, the Economic case, the Commercial case, the Financial case and the Management case.

Business cases should be robust and well evidenced documents as the Business Case will be evaluated based upon content if called to present.

Coast to Capital Disclaimer

There shall be no expectation of grant payment unless and until a funding agreement is signed by both parties. All the Applicant's costs and charges incurred as a result of making this application shall be for the Applicant's account and cannot be claimed as part of the project except where feasibility funding has been prior awarded.

1. Executive Summary

1.1) Overview of the project including what opportunity or barrier the investment will unlock:

The Sussex Innovation Centre is looking to further expand its presence over the Coast-2-Capital region. This project is designed to create more space to enable additional support to be provided for innovative business in Brighton, Croydon and Falmer. There are three elements to the proposed project:

1. Redesign of the large reception area at Sussex Innovation – Falmer to create a Co-working space and informal meeting area. This allows us to support more virtual and network member companies and to free up current meeting room space to provide more incubator offices.
2. Creating the Co-working / Business Hub space at the new Sussex Innovation – Brighton Centre at the Block J – New England Quarter site. Based on the successful model at Croydon, the Business Hub enables more early stage and high growth companies to engage with the Sussex Innovation’s support services.
3. Creating further space ‘growth-space’ at Sussex Innovation – Croydon, by supporting the expansion to a third floor within the One Croydon building.

1.2) Please choose the theme in which the LGF funding will invest in directly (The project can only fit into one theme so please choose the most appropriate).

Investment in capital expenditure items that promote digital transformation and digital infrastructure

New Innovation and start up business creation

Facilities to provide teaching and research facilities and/or skills based training in digital and innovation areas, across further and higher education sectors in close proximity to the M23, A23 corridor

Increased capacity in sustainable transport and ‘key’ arterial routes where there are ‘bottlenecks’, together with flood resilience and digital infrastructure investment

Investment in capital projects where there is a demonstrable case that such investment will generate proportionate foreign direct investment and international trade

Regeneration and housing infrastructure projects that increase capacity and footfall and unlock new employment space

Capital investment to increase high value tourism to the Coast to Capital region

1.3) The fit with Coast to Capital Strategic Economic Plan, the Industrial Strategy Response and Business Plan 17/18

This proposal has clear fit to the Coast to Capital Strategic Economic Plan and Industrial Strategy with its focus on encouraging successful businesses:

- This application is based on further development of the Sussex Innovation Centre sites as “Growth Locations”
- Creating better connections between ambitious businesses with local support resources

- Developing the quality, quantity and accessibility of modern, entrepreneurial growth focused employment space.
- Close collaboration and cooperation with the Centres of Research

The proposal builds on the successful model of creating “Centres of Innovation”, linked to the research base of the University of Sussex and run to maximise economic impact within the context of a financially sustainable business model. The creation the Business Hubs within the Sussex Innovation Centres links well with the ERDF Business Support project objectives of creating more opportunities for businesses to engage with support resources and like-minded businesses that can fuel their ambition for growth.

The projects identified here will assist more potential businesses to discuss and test their business ideas within supportive and collaborative business environments. We don’t want to just encourage more start-ups, we want to support new businesses that present a real potential for growth and to assist them with gaining the skills, market understanding, business skills and resources to realise that potential.

There is a direct link to the Coast to Capital Business Plan for creating:

- New innovation and start-up business space

For the Sussex Innovation Centre, in order to drive the creation of more high growth businesses, we believe that new innovation and start-up business space should be closely aligned to specialist support resources and to link the “escalation of need” for ‘space’ to the growth needs of companies. Good start-up businesses need the commercial and space flexibility to grow.

The Sussex Innovation has a comprehensive support team providing specialist resources for:

- Business strategy
- Market research and customer insight studies
- IP and R&D commercialisation
- Business modelling and sales process
- Financial – grants, investment and management accounts
- PR and Communications

Businesses supported by the Sussex Innovation Centres have a natural alignment to the strategic business sectors identified by Coast to Capital, but we support any ambitious entrepreneur who presents a good product or businesses innovation opportunity. The majority of our businesses aim to trade nationally and to export.

1.4) Expected Total Project Cost and source of funding. Please also complete the funding breakdown tab on the supporting spreadsheet. Matched funding must be at least the required percentage of the total project costs. This is 15% for transport projects and 50% for all others. (Please name the source of match funding).

	Amount	% of Total Cost
Total Project Cost	Falmer - £100,000 Brighton - £80,000 Croydon - £100,000 Total = £280,000	100%
Applicant own funds	£140,000	50%
Other public funds		
Private sector funds		
Funding requested from Coast to Capital LEP	£140,000	50%

1.5) Expected tangible core outputs/outcomes: Please also complete the outputs tab of the supporting spreadsheet

Output/outcome	Metric	Number to be delivered
Employment- created and/or safeguarded	No.	<p>Brighton & Falmer = 78</p> <p>This estimate is based on the number of virtual / network members that take on their first employee through their involvement with the SInC Hubs up to 2026.</p> <p>Subsequent jobs created by those companies with the further SInC support may overlap with other schemes.</p> <p>In Croydon we will be supporting growing companies by providing the space to accommodate their growth in Croydon, e.g. from 10 to 30 employees – unclear whether this is an employment created / safeguarded output.</p>
Businesses assisted- financial and non- financial	No.	<p>Falmer – 83 Brighton – 125 Croydon – 18 Total = 228</p> <p>This represents the number of additional businesses receiving support through being part of incubator over the period to 2026, rather than those receiving more advanced support services.</p>
Skills- new learners and/or apprentices	No.	0
New housing unit completions	Units	0
New floor space constructed/refurbished- learning	Sq mtr	0
New floor space constructed/Refurbished- Commercial	Sq mtr	<p>Falmer – 100 Brighton – 200 Croydon – 700 Total = 1,000</p>
Length of new roads/cycle ways	km	0
Improvement to journey times	Minutes per mile	0
Carbon reduction	Tonnes of CO2	

1.6) Main risks and issues the project will need to manage? Please also submit a full risk register as an annex to this document

The main project risks relate to:

1. For Sussex Innovation – Brighton, for the funding / constructions issues to be resolved and the building completed.
2. For Sussex Innovation – Croydon, for the building lease negotiation and discussions with LBC Council to be successfully concluded to enable a financially sustainable model to be secured.
3. For all projects, there is an expectation that the ERDF Business Support project will commence with Sussex Innovation as one of the key Delivery Partners.

DOCUMENT STATUS

REVISION HISTORY

Revision Date	Version No.	Summary of changes	Author/editor
5 th September 2017	One	First draft	

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2. The Strategic Case

2.1) Describe the compelling case for change.

This project is focused on extending the existing Sussex Innovation Centre / Business Incubator model to add further business support value to these facilities. It addresses the support and supportive community elements before companies are ready to take their own space (Falmer and Brighton), and secondly the property headaches that some companies experience when going through an initial rapid growth phase of the development (Croydon).

Sussex Innovation has established a very strong reputation for the delivery of high quality, tailored support for innovative, high growth potential entrepreneurs. The provision of co-working, office and lab space is just one part of the delivery model.

Innovation Centre buildings:

- Help to create a community of like-minded businesses that provide a type of group-confidence
- Provide flexible office support for business that is tailored to their specific needs
- Create a portfolio effect that attracts staff, investors and customers
- Create a portfolio effect that enables efficient support design and delivery (there's a commonality of need).

The funding applied for will better equip the Sussex Innovation buildings to meet the space and support needs beyond what we can currently offer.

Project Type 1 – Business Hub locations for Sussex Innovation Falmer and Brighton

Our experience at the Sussex Innovation - Croydon is that more businesses will be encouraged to join the Centre and access support if we provide an informal 'Business Hub' meeting and work space. Businesses benefit from being physically co-located for meetings and support. The environment for the interaction forms part of the *buzz* and makes businesses that are often too small (or otherwise unsuitable) to take an office at the Innovation Centre, feel part of something bigger – this in turn helps to encourage growth.

Creating Business Hubs at our Falmer and Brighton locations will enable many more businesses to be a part of Innovation Centre community and enjoy the benefits of the supportive environment and specialist business expertise.

The business model for the Innovation Centre requires that the property element helps to cover the cost of the support provision. Creating Business Hubs usually takes away the potential for rental income. In Falmer we are solving this issue by repurposing our reception space. In Brighton, we believe that the Hub would be highly beneficial to meet our economic development objectives to provide support access to the many high growth potential micro businesses that are currently based with Central Brighton.

The proposed investment will allow us to create the type of modern, informal but business friendly environment that will encourage non-SInC-resident business to use the facility and access support.

Project Type 2 – Flexible move-on / scale-up for Croydon

Our experience at Falmer and, most recently, in Croydon, is that businesses find it difficult to find suitable move-on space that meets their growth needs as they graduate from the Innovation Centre / Accelerator environment. For these companies, they need less space management, but more flexibility over the space and lease terms while they are in high-growth model. The proposal is to create lettable units around 150 to 175 square metres (larger than the usual SInC rooms) that can be let on a flexible six- month to two-year basis to companies that are not yet ready to take-on long-term commercial property leases. The space will be managed by SInC and we still provide reception, facilities, service and telecoms support.

The cost of taking an additional floor at the One Croydon has escalated sharply in the last 3 years. The financial model to make this work sustainably and still maintain attractive rental terms for our target businesses is tight. Therefore, support to create these environments through the investment in the

capital outlay for the fit-out would help to make the project financially feasible.

2.2) Investment Objectives- detail the specific objectives to achieve the anticipated outcomes.

Investment Objective	Anticipated Outcome
<p>Create new Innovation Support work / meeting environment in the Sussex Innovation – Falmer reception space.</p> <p>This space does not generate rental income.</p>	<p>Creates a more modern, collaborative work environment within the Innovation Centre.</p> <ul style="list-style-type: none"> • More of the existing virtual /network members will come into the Innovation Centre to work and engage with peer businesses and SInC Innovation Support. • Encourages more virtual / network members to join and engage with peer businesses and SInC Innovation Support. <p>Our experience is that the greater the engagement with the SInC community, the more likely the companies are to achieve business growth.</p> <p>Our experience is also that Falmer site is particularly attractive for businesses from outside Brighton city centre.</p>
<p>Create new Innovation Support work / meeting environment Business Hub at the Sussex Innovation – Brighton Centre.</p> <p>C2C provided the developer with Growing Places Funding for the Innovation Centre build.</p>	<p>The design of the Innovation Centre building in central Brighton has been primarily to provide move-on space for high growth businesses as they scale.</p> <p>The Business Hub provides an opportunity to make SInC Innovation Support more accessible to many more high growth, innovative businesses that are based in central Brighton.</p> <p>While the University of Sussex campus is only 5 miles away, there is a need for Sussex Innovation to provide a SInC community within the Brighton creative-tech quarter to reach more businesses.</p>
<p>Sussex Innovation has been successful in creating a satellite Innovation Centre in Croydon. The Centre will be two years old in October and is currently at over 90% capacity.</p> <p>Currently we have 7 business occupying multiple rooms at One Croydon while they scale – all recognise the benefits of staying longer within the SInC environment, especially as they have found difficulties in finding local office space that can accommodate their growth and need for flexibility.</p>	<p>The provision of move-on / scale-up space is a well know issue in many cities.</p> <p>In Croydon, the issue is exacerbated by:</p> <ul style="list-style-type: none"> • The amount of office space lost to residential. • The rapid rise in Commercial rent levels. • Strong demand for office space from large businesses / organisations. <p>The Croydon has been successful in recognising and supporting its new tech community – it needs to keep the successful businesses here, while they grow.</p> <p>Landlords are unwilling to offer flexible leases to small, growing businesses when the demand for office space is so strong.</p> <p>The new space will enable Croydon Tech businesses to grow and stay in Croydon.</p>

2.3) Stakeholder Engagement carried out.

The University of Sussex has been very supportive of these projects as a way of supporting economic development and of creating more locations and opportunities for business-academic engagement.

There have been active discussions with LBC Council about developing a third floor at One Croydon.

There have been active discussions with B&HCC about the Innovation Centre expanding its offering to

more businesses in the City. B&HCC have been very supportive of the Innovation Centre development at the Brighton Station site.

The new Sussex Innovation – Brighton Centre is a project supported through the Coast-2-Capital Growing Places fund. Using the new Centre as a hub for business support is key to the project.

Sussex Innovation is proposed to be a key Delivery Partner for the ERDF Business Support project – an important element of that proposal is Sussex Innovations geographical presence at multiple locations along the A23 / M23 corridor.

2.4) List the key stakeholders and their interest areas.

Stakeholder	Interest area
University of Sussex	Academic Business engagement and HE led economic development
Coast-2-Capital	Generating greater economic value out of building assets (including Block J Investment)
LBC Council	Economic development – keeping high growth tech businesses in Croydon
B&HCC	Economic development – raising growth ambitions of Brighton businesses

2.5) What are the strategic issues, risks and constraints that may impact successful delivery of the project?

Falmer Project

There are few strategic issues, as we already run the building – the key risk is our ability to change the behaviour of existing virtual and network members, and to attract new ones. Our internal surveys show that there should be good demand and so little risk of achieving outcomes. The constraint is that providing these benefits does not generate sufficient additional revenue to cover the capital fit-out costs.

Croydon Project

Our main risk is making the financial model for the development of a third floor sufficiently robust to enable us to take the financial risk. Once we have committed to taking the additional space, the risk is in finding the right types of high growth business to take the space. We have a good track record at building and maintaining occupancy at our Centres.

Brighton Project

Main current risk is whether the developer will complete the construction. The Innovation Centre, via the University of Sussex, have an “Agreement to Lease” in place, but the construction has been delayed. We are confident that we can attract business to a Brighton Business Hub given our profile and reputation for high quality support in the City. Again, a constraint is that we see the benefits of providing the Business Hub space, but it reduces the revenue earning capacity of the building.

2.6) Project Dependencies

Falmer Project

Only dependency is Sussex Innovation Centre Board approval of the business case for the refurbishment.

Croydon Project

Dependent to us securing an acceptable lease of an extra floor in the One Croydon Building.

Brighton Project

Dependent on the Developer completing construction at the Block J, New England Quarter site and the University being satisfied over the quality of the build and signing the head lease.

2.7) Project disruption

Main potential for disruption is the uncertainties of taking a newly constructed building in Brighton.

Delays in the start of the ERDF Business Support project would reduce the accessibility of funded support from SInC at these Centres.

3. The Economic Case

3.1) Please describe the options that have been considered in selecting the project proposal, completing both box 1 and 2.

Box 1:

Option Name:	Description:	Total cost:	Amount requested:	Core outputs (see 1.6)
Do nothing, minimum or status quo	Falmer – keep reception as Croydon – don't take another floor Brighton – rent out all space – no Business Hub	0.0	0.0	0.0
Proposed option	Business Hubs at Brighton & Falmer Scale-up floor in Croydon	£280,000	£140,000	1000 sq mtrs 78 Jobs 241 SMEs supported
Alternative options:	Look for alternative space in Brighton & Croydon.	Additional staffing costs would make this option financially unviable.		

Box 2:

Option Name:	Advantages:	Disadvantages:
Do nothing, minimum or status quo	Reduced risk	Not leveraging our support assets to benefit more businesses.
Proposed option	Making effective use of existing staff and resources to benefit more businesses.	
Alternative options:	Possibly cheaper space in Croydon	More expensive space in Brighton Current plans would utilise staff already required to run SInC facility. Another building Would require additional staff – which would not be financially sustainable.

3.2) The preferred option

To develop space either within or associated with current or planned Innovation Centre developments to make best use of entrepreneurial community and profile and to minimise additional staffing costs.

3.3) Issues with preferred option.

Brighton – construction risks over the new build at Block J, New England Quarter

Croydon – negotiating lease on a third floor that provides financially sustainable model going forward.

3.4) What are the top 5 risks of this option?

1. Construction risk on new build at Block J, New England Quarter
2. University not taking lease on new build at Block J, New England Quarter
3. Landlord making alternative lease arrangements on the currently available space in One Croydon building.
4. Insufficient demand for Business Hub in Brighton and Falmer
5. Insufficient demand for move-on / scale-up space in Croydon

Please complete the boxes below, answering only those relevant for the theme of your project, referring to the guidance available. Please also complete the outputs tab of the supporting excel spreadsheet.

3.5) Economic impact

The Sussex Innovation Centre has gained a strong reputation for the delivery of innovative and effective support for entrepreneurial ventures, in particular, those involving the development and marketing new of new products and services.

After many year delivering services primarily at its original base at the University of Sussex, in 2015 Sussex Innovation opened a new satellite centre at East Croydon station – this Centre has successfully attracted an exciting portfolio of new innovative businesses and is providing effective interventions through its support advisors and team of graduate interns. The new Centre has also evolved the model to better suit delivery in a Town / City Centre environment, as compared to the campus setting. An important element of the strategy behind this expansion was looking at how to extend the geographical reach of the Innovation Centre and to scale up the model to engage with a much larger and wider portfolio of businesses. In this way, the Sussex Innovation Centre is increasing the economic impact of its support environment and services. Sussex Innovation has an excellent track record of getting more entrepreneurs from concept to product, more businesses to financial sustainability and more businesses to scale.

This funding application is designed to create more opportunities for potential entrepreneurs to engage with Sussex Innovation and through more stages of their business – i.e.: new business concept development; market insight; business start-up; first revenues; investment; and scalable growth. It does this by firstly:

1. Providing a better environment for non-SInC-resident businesses to engage with the Support Team (Falmer and Brighton).
2. Providing flexible space during the growth phases, where the management support can be particularly important.

The project therefore helps to further scale the economic impact that the Sussex Innovation Centre model has been proven to deliver over the last 20 years.

3.6) Environmental Impact

The Sussex Innovation properties are developed / operated under the University of Sussex's Environmental Policies.

The new Innovation Centre satellite offices are located adjacent to the main transport hubs in East Croydon and Brighton – encouraging businesses to use public transport. The main Sussex Innovation Centre is based on the University of Sussex campus, which has very comprehensive public transport links. Cycling is encouraged at all sites.

The Business Hubs being developed at Brighton and Falmer support and encourage entrepreneurs to work from home, but to have access to peer-groups, support resources and a professional environment, when needed.

The Sussex Innovation Centres supports many new innovations and product development in environmental technologies (e.g. electric vehicle charging, flood modelling, eco-projects, distributed power management).

3.7) Social Impact

The Sussex Innovation Centre has a strong track record in supporting social enterprises as well as commercial businesses.

The Sussex Innovation Centre creates a supportive entrepreneurial community that is sympathetic and supportive of the its local community and contributes to society. We have found that the community attracts entrepreneurs who wish to create more socially responsible businesses.

The Sussex Innovation Centre works with students and graduates to help them develop creativity and enterprise and to work entrepreneurially in both commercial and social ventures.

The Sussex Innovation Centres supports many new innovations and product development in technologies designed to have social impact (e.g. in education, social work, assisted living, medicine, well-being).

3.8) The number of people and businesses positively impacted by the intervention?

The new Business Hubs will increase the number of non-resident business supported by the Innovation Centre. The Hub environments will also benefit the other businesses in the Centres and their employees.

Falmer: Initial 300 rising to 500 over the funding period.
Brighton: Initial 100 rising to 300 over the funding period.

The move-on space will enable the Sussex Innovation supported businesses to employ more staff more quickly and remain at the same location.

Croydon: Initial 100 rising to 200 over the funding period.

3.9) Follow on Investment

By engaging with and supporting more businesses, we would expect more businesses to attract public and private investment through technology grants, loans and investment capital.

Sussex Innovation's investment in Business Hub at Falmer and Brighton, is based on the early success achieved by the Business in Croydon.

Sussex Innovation's investment in move-on space in Croydon is based on our experience in providing tailored space for growing businesses through the initial scale-up phase.

By experimenting and proving different elements of the Sussex Innovation support model, we create follow-on investment opportunities to expand that provision at other sites.

3.10) Skills projects only- Impact on Skills Provision

N/A

3.11) Business and enterprise projects only- Impact on business growth

Sussex Innovation provides specialist support interventions to enable businesses to realise the potential of the innovations through business growth.

Support services include:

- Network, Virtual and Office based support offerings.
- Professional and flexible office and laboratory business accommodation.
- Community based, social and supportive environments.
- Peer-to-peer networking and support opportunities.
- In-house Innovation Support team with specialists in marketing, sales, finance, PR, communications, commercialisation, market research, strategy, management and operations.
- In-house finance team offering support for book-keeping, payroll, management accounts, R&D tax credits.
- Access to specialist market research, IP and deal-flow databases.
- Team of trained and mentored graduate interns available as a flexible resource to businesses.
- Grant, debt and investment links.
- Specialist external advisors, mentors and investors.
- Strong academic research links

Support services are very market focused, with the aim to assist the entrepreneur to gain better market and customer insights from which to build better products, develop innovative business models and gain early customers.

3.12) Infrastructure and Regeneration and Housing projects only- Physical and aesthetical impact- Does the project make a positive and lasting contribution to the physical, human and cultural environment?

N/A

3.13) If your project results in service and other improvements then please provide baseline data below.

Metric	Baseline		What the intervention will achieve	
	Figure	Year	Figure	By when
Falmer – non-resident members	50	2017	90	2020
Brighton – non-resident members	0	2017	65	2020
Croydon – number of scaling business (over 15 staff)	5	2017	15	2020

4. The Commercial Case

4.1) Please provide details of your envisaged procurement route.

All three projects will require elements of building fit-out, furniture and some A/V supply.

The Brighton and Croydon properties are (or will be) under a University of Sussex Head-lease. All building work and supplies will be procured through the University's estates JV company with Interserve – SEF.

The University and SEF have procurement policies which are in line with Public Contracts Regulations 2015.

The fit-out design for the Reception at Sussex Innovation – Falmer has been through a procurement process in line with Sussex Innovation Centre and University of Sussex procurement policy.

4.2) Involvement of private development partners.

The Sussex Innovation Centre is a wholly owned subsidiary of the University of Sussex – the University of Sussex may therefore be regarded as a development partner.

The University of Sussex has a Estates and Facilities JV Company with Interserve.

4.3) Procurement plan and timescales.

	Falmer	Brighton	Croydon
Building lease agreed and hand-over	N/A	November 2017 TBC	January 2018 TBC
Supplier engagement and selection:	May to August 2017	October 2017	November 2017
Fit-out Works	September 2017	December 2017	January 2018
Furniture & A/V	November 2017	January 2018	February 2018

4.4) How will the project contribute towards social value?

The Sussex Innovations Centre's core objective is to support the creation and growth of new technology and knowledge based businesses.

This project will allow more individual entrepreneurs and SME businesses to access and engage with the business support community and support resources provided by the Innovation Centre.

Sussex Innovation is proposed to be one of the main delivery partners for the C2C ERDF Business Support projects – this project will assist in promoting the C2C Support to more small businesses across the C2C region.

4.5) State Aid Compliance.

Please refer to the State Aid summary provided with the bid application guidance and provide your justification to show that your project is state aid compliant.

In support of the above please provide as an annex to this business case

- Practising solicitor's letter or counsel's advice/ independent legal advice setting out compliance with state aid tests set out in the summary document provided.

The Sussex Innovation Centre have received legal State Aid input through the University of Sussex legal team and DCLG Staff on this and other funding bids:

In terms of State Aid compliance, we believe that the relevant facts are:

- The proposed development of the Sussex Bio-Innovation Centre is marketed towards entrepreneurs, start-ups and University spin out companies. The facilities will include access to expertise and facilities made available by the Sussex Innovation Centre / University of Sussex;
- The amount of proposed grant is less than €20 million and it also constitutes less than 50% of the cost of providing the business incubation facilities;
- The funding is to be provided to the University of Sussex / Sussex Innovation Centre and they will provide access to the the accommodation on an open and transparent basis at market rates.

Our assessment is that the project is State Aid Compliant. The new General Block Exemption Regulation (GBER), which became law on 1st July 2014, permits public funding and other aid to be provided by the public sector for those activities and purposes which are set out in the regulations. The project will support economic growth by creating sustainable private sector employment as well as a support infrastructure to grow and develop the technology sector in the region. The provision of the additional facilities at the Sussex Innovation Centre sites addresses a number of market failures, principally the prohibitive costs of entrepreneurs and early stage businesses gaining access to the relevant expertise in a business support

environment to encourage business growth.

Article 26¹ and Article 26.1 permits aid for University infrastructure where it is used for economic activities. Support given for the construction or upgrade of University infrastructures that performs economic activities is considered state aid and is limited to 50% of the investment costs. Users will pay a market rate for using the facility and will be open on a transparent and non-discriminatory basis.

The facilities will be used to support companies in research, development and innovation; and to aid businesses in providing access to finance.

The initial assessment is that these projects meet the requirements of GBER.

At this stage, we have only made an initial assessment regarding State Aid; some of the Articles are relatively new regulations under the GBER, which means that there are risk in the interpretation of new provisions, which have not previously been subject to judicial decision.

Further advice will be sought by the University over the coming months regarding State Aid compliance, which will be available during this financial year (2017/18).

5. The Financial Case

5.1) what is the estimated total project cost and the amount of LGF being applied for? Please complete the funding breakdown tab in the supporting excel spreadsheet.

Year	Total project cost	LGF
17/18	£280,000	£140,000
18/19		
19/20		
20/21		
Total	£280,000	£140,000

5.2) Please set out the project expenditure items – No rounding up please

Please state the date of this estimate-

Projects costs (delete as appropriate)	Total cost (£)	LGF (£)	Match funding (£)
Land Acquisition			
Planning and Feasibility studies			
Surveys			
Construction, inc- materials, equipment and labour			
Fit out (inc. equipment and furnishings not included in construction)	£280,000	£140,000	£120,000
Project management			£10,000
Consultancy			£10,000
Other (please specify)			
Contingency*			
Total Net Cost	£280,000	£140,000	£140,000
VAT	£56,000	£28,000	£28,000
Total Gross Cost	£336,000	£168,000	£168,000

¹ Article 26 (Investment aid for research infrastructures) – Commission Regulations (EU) No 651/2014 June 2014

Please ensure the matched funding and LGF amount to the total costs and that the LGF requested does not exceed the percentage allowed for the type of project i.e. 85% for transport and 50% for all other projects.

5.3) Net Present Value cash flow analysis.

Options	NPV
Do nothing, minimum or status quo	0
Proposed option	£280,000
Alternative option	N/A

Please detail your project assumptions and discount rate used-

Since all the project spend would be in this, I assume that the NPV is the same as the actual cost.

The Alternative Option has been discounted because of staffing issues, rather than capital costs.

5.4) Value for money

The project leverages the existing Sussex Innovation / University of Sussex investments in Falmer, Croydon and Brighton and makes more effective use of existing Sussex Innovation support resources. We are therefore creating a very financially efficient investment for more individual entrepreneurs and businesses to be supported.

Cost per job, based on the 38 jobs to 2021 is £3,684

Based on the number of new virtual / network companies take on additional staff through initial engagement with SInC.

Cost per extra company engaging (118 businesses) with SInC to 2021 is £1,186 per company

Excellent value for leveraging additional value from support assets.

5.5) VAT status

The Sussex Innovation Centre is a VAT registered limited company.
VAT Number - 619 9852 86

5.6) Financial Sustainability

The Sussex Innovation Centre generate revenues from:

- Rent and property related services
- Virtual Tenancies and Network membership fees
- Accountancy services
- Business Support charges to companies
- Services to the University of Sussex
 - Research commercialisation
 - Student Start-Up Programme
 - Graduate Intern Programme
- Delivery of Publicly Funded business support services (none at present)

Falmer

The grant will cover 50% of the initial capital outlay on the conversion of the Reception space to a Business Hub. The Hub at Falmer will encourage more companies to take up membership with the Sussex Innovation Centre and engage with our support services. The Hub will also free up dedicated meeting room space, which will then re-let to an Innovation Centre resident company.

Brighton

The grant will cover 50% of the initial capital outlay on the Business Hub space. The Business Hub reduces the amount of lettable space within Sussex Innovation – Brighton, but will increase the number of Virtual and Network Memberships that will access chargeable support services.

Croydon

The grant will cover 50% of the initial capital outlay on the space. The Move-on space made available in Croydon will be rent to growth business.

Sustainability

The Sussex Innovation Centre business model will always be a compromise of economic development impact and operational financial sustainability. These projects are designed to increase the reach and impact of our business support, while working within medium-term financial plans for financial sustainability.

6. The Management Case

6.1) In which financial year do you expect your project to commence? 2017/18

6.2) In which financial year do you expect your project to complete? 2017/18

6.3) Please set out the key milestones related to the project.

Milestone	Start date	Completion date
Commence Falmer reception reconfiguration	September 2017	October 2017
Falmer furniture	October 2017	November 2017
Falmer Business Hub Opens		November 2017
Brighton Block-J Completion		December 2017
Croydon 3 rd Floor Lease Agreed		December 2017
Brighton Business Hub opens		March 2017
Croydon 3 rd Floor opens		February 2017

6.4) Project management arrangements

All the projects will be overseen by the Executive Director of the Sussex Innovation Centre, supported by our internal Facilities and Finance Management team.

The Sussex Innovation Centre is a wholly owned subsidiary of the University of Sussex. The University will take the Head Lease for the Brighton and Croydon properties. These are therefore regarded as University buildings with Sussex Innovation being the internal 'Client'. Fit-out works at Croydon and Brighton will be procured and project managed through the University's JV (with Interserve) Estates Management company, SEF.

SEF provided the Project Manager for the refurbishment of the current two floors occupied by the Sussex Innovation Centre at One Croydon.

SEF are acting as the Project Managers for the University's pre-lease engagement with the Developers at the Brighton Station Block-J site.

6.5) Key project roles and responsibilities

Operational project management will be undertaken by the Sussex Innovation Facilities Manager - Helen Northeast.

Financial and procurement management by the Sussex Innovation Finance Manager – Jane Baker

6.6) Governance, oversight and accountability

The Sussex Innovation Centre has 20 years' experience in managing incubator buildings, business support and delivery programmes for start-up and small businesses.

The Sussex Innovation Centre is a wholly owned subsidiary of the University of Sussex. Our accounts are audited and consolidated within the University's financial accounts and we are therefore fully compliant with their financial procedures.

The project will be managed by the Executive Director and supported by an experienced Facilities and Finance Managers. The projects will run through the Centre's project management and financial management MIS.

The projects will be subject to approval by the Sussex Innovation Centre Board, which includes both University and independent Non-Executive Directors.

6.7) Communications and stakeholder management

The Sussex Innovation Centre has its own PR and Communications Staff and is supported by the University's Communications Team.

These projects will be promoted via the Innovation Centre's press links, plus web and social media.

The Sussex Innovation Centre has very good and active links with the primary stakeholders:

- Coast-2-Capital
- B&HCC
- LBC Council
- LDC
- University of Sussex

6.8) Benefits management

The Sussex Innovation Centre currently delivers support to its portfolio members (tenant, virtual and network). The projects will benefit both existing members and encourage new members.

Sussex Innovation will record and manage Benefits through:

- Maintaining records on the number of new Virtual and Network Members at each site
- Member satisfaction surveys
- Number of Support Projects for Virtual and Network Members
- Occupancy levels for new space in Croydon


6.9) Project evaluation

The primary areas for Post Project Evaluation are:

1. Time and cost performance for the set-up stage for each project
2. Take-up of new space and memberships at each site
3. Operational issues and lessons from new Hubs
4. Lessons learnt for future developments
5. Ongoing budgetary impact of each project

Recommendation/ Declaration

Recommendation- please state clearly the recommended action this business case supports.

Declaration:	I certify that the information provided in this Business Case is complete and correct at the time of submission.
Signature:	
Print Name:	Michael Herd
Title:	Executive Director, Sussex Innovation Centre
Date:	7th September 2017

Before submitting your Business Case ensure you have all the required supporting documentation:

- **One electronic copy of the business case template, signed and dated**
- **Excel Spreadsheet (both tabs completed)**
- **Full risk register**
- **Any other Supporting documents and evidence required (e.g. letter of support from Area Partnership)**
- **Written evidence to the satisfaction of the Coast to Capital Accountable Body from a practicing solicitor / Counsel that the project is compliant with the EU state aid rules.**
- **VAT external advice if applicable.**