

## Shareholder Committee

20 March 2017

Report of the Assistant Director - Communities and Equalities

## Science City York

### Summary

1. This report proposes that the Council withdraw from its membership of Science City York in order that ownership of the company can be passed to Make it York.

### Recommendations

2. The Shareholder Committee is asked to agree to the Council withdrawing from membership of Science City York subject to Make it York having been admitted to membership.

Reason: to facilitate ownership of Science City York passing to Make it York.

### Background

3. Science City York Ltd (SCY) is a company limited by guarantee, set up when the Science City service became independent of City of York Council. Initially jointly owned by City of York Council and the University of York, the objectives of the company were to support the growth of science & technology related industries. The majority of its funding came from Yorkshire Forward and the EU funding (later transferred to DCLG). Additional funding came from the shareholders and also from what is now York St John University.
4. Following the demise of Yorkshire Forward it was agreed, in July 2014, that the universities would withdraw from the company and take their agreed share of the company reserves, leaving City of York Council as the sole shareholder.
5. In 2015 City of York Council set up a trading company, Make It York Limited (MIY), which commenced trading on 2 April 2015. As part of the transfer of services to MIY, the Council agreed to transfer the Science City brand, assets (principally £228,842 in

cash) and subsidiary trading company (SCY Enterprise Ltd) to MIY for £1. The services of Science City York are now provided by Make it York.

6. At the time of the transfer two contracts had not been signed off by DCLG. Reflecting this position some cash assets were retained by CYC rather than being transferred. Since then, SCY has ceased trading, received audit clearance from DCLG, closed down a number of operational bank accounts and transferred all expenditure to MIY. The only company assets remaining are a bank account containing £44k and a small amount of Petty Cash. It would now be appropriate to finalise the position on SCY's assets.
7. It should be noted that any decisions with regard to SCY's remaining assets are for the directors of the company to take in line with the company's memorandum of association (there are currently two external directors). The proposals contained in this paper are designed to assist the directors in achieving a sensible way forward.

### **Way Forward**

8. SCY's Memorandum of Association sets out what happens if the company is wound up:

Paragraph 7 of the Memorandum & Articles of SCY states:

*If the company is wound up or dissolved and after all its debts and liabilities have been satisfied there remains any property, it shall not be paid to or distributed among the members of the company, but shall be given or transferred to some other organisation having objects similar to the objects which prohibits the distribution of its or their income and property to an extent at least as great as is imposed on the Company by Clause 4 above, chosen (in their absolute discretion) by the directors of the company at or before the time of dissolution and if that cannot be done then to some organisation having charitable objects which the directors (in their absolute discretion) shall approve.*

Paragraph 4 states:

*The income and property of the Company shall be applied solely towards the promotion of its objects...*

Paragraph 3 lists the company objects:

- (a) *to promote the creation and growth of business and employment opportunities in technology and creative business sectors, working with other organisations as necessary;*
- (b) *to deliver business support to technology and creative based businesses including start-ups, early stage ventures, or established enterprises;*
- (c) *to support specialist business networks to promote a supportive business environment for technology and creative enterprises;*
- (d) *to support and deliver activities to ensure that the knowledge and skills of the workforce match employment opportunities and employment needs*

### **Options**

9. The options open to the Council are as follows:
- a) Transfer the remaining cash and wind-up the company
  - b) Transfer the cash, but retain the company for future council use
  - c) Transfer the company with the cash to another organisation

### **Analysis**

10. a) Transfer the remaining cash and wind-up the company

Advantages:

The company can be wound up by writing to Companies House stating that the company has stopped trading and has gone into liquidation. This will bring an end to the need to produce final accounts, hold board meetings, file an Annual Return and complete HMRC returns.

The cash can be transferred to a similar organisation.

Disadvantages:

It would remove a company that could be useful in the future. There is a cost to setting up new companies. This company could be re-purposed in the future by changing the Memorandum & Articles, appointing new directors. It also has a bank account ready to use.

11. b) Transfer the cash, but retain the company for future use

Advantages:

The company would be retained for potential future use.

#### Disadvantages:

There would be a cost to the Council of retaining the company, even if it is dormant.

12. c) Transfer the company with the cash to another organisation

#### Advantages:

The company can be transferred to another organisation which has similar objectives and which will take on the administration of the company and also the bank account. This will also transfer the responsibility to comply with the company's Memorandum & Articles. This is the simplest solution.

#### Disadvantages:

None.

13. Option c) is therefore recommended with the recipient organisation being Make it York. Make it York is wholly owned by the Council and is already carrying out SCY's functions.

#### **Next Steps**

14. To enact this decision Make It York will submit an application to the directors of Science City to admit Make It York as a member of the company. The directors of Science City will consider the application at a board meeting. Following approval of Make it York's request by the board of directors, the Assistant Director of Legal and Governance or his authorised signatory will sign a resolution on behalf of the Council, as the current sole member of Science City York, to admit Make it York as sole member in the Council's place. This written resolution will have the same force as if it had been passed at a general meeting.

#### **Council Plan**

15. This initiative furthers the Council Plan priority of "A prosperous city for all", including a city where:
- Local businesses can thrive
  - Residents have the opportunity to get good quality and well paid jobs

#### **Implications**

16. **Financial:** The remaining SCY assets amount to £44k.
17. There are no other implications.

## Risk Management

18. In compliance with the Council's risk management strategy the main risks that have been identified associated with the proposals contained in this report are those which could lead to the inability to meet business objectives and to deliver services, leading to damage to the Council's reputation and failure to meet stakeholders' expectations. The level of risk is assessed as "Low". This is acceptable but means that regular monitoring is required of the operation of the new arrangements.

## Contact Details

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<b>Wards Affected:</b>				<b>All</b> ✓
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## Abbreviations

SCY – Science City York Ltd

DCLG – Department for Communities and Local Government

MIY – Make it York Ltd

HMRC – Her Majesty's Revenue & Customs