

BARNSELY METROPOLITAN BOROUGH COUNCIL

This matter is a Key Decision within the Council's definition and has been included in the relevant Forward Plan

Report of Executive Director
of Place

Digital Campus - DMC2 (The Core Conversion)

1. Purpose of report

- 1.1 To present an update on the acquisition of the Core building and provide further detail with regard to the planned refurbishment of the building to deliver DMC2.
- 1.2 To seek approval to enter into negotiations with Sheffield City Region in relation to the grant funding agreement for the proposed project and conclude that agreement.

2. Recommendations

It is recommended that:

- 2.1 The Executive Director of Place be authorised to undertake all necessary steps to secure delivery of the project.
- 2.2 The Executive Director of Core Services in consultation with the Executive Director of Place be authorised to:
 - Negotiate the terms and conditions of any Funding Agreement and that Cabinet delegate the final approval of the terms of the Grant Funding Agreement to the Cabinet Spokesperson – Place.
 - conclude the approval and funding process with Sheffield City Region Combined Authority (SCR CA), accept tenders, appoint where necessary a contractor to implement the delivery of the scheme, subject to the costs being contained within the scheme.
- 2.3 The Service Director for Regeneration and Property be authorised to:
 - In compliance with the Council's Contract Procedure Rules, and subject to any procurement requirements specified by the funder, , seek tenders where necessary for any aspect of the project and appoint the

successful tenderers; and/ or consider whether the works, services or goods can be provided in-house, subject to value for money considerations.

- 2.4 Cabinet accepts grant funding from Sheffield City Region Investment fund (SCRIF) totaling £2.125M towards the total cost of this scheme.

3. Introduction

- 3.1 The Jobs and Business Plan sets out an aspiration to create 17,500 new jobs over the next 20 years, in an attempt to close a £1.1bn productivity and 39,900 jobs gap that exists when Barnsley's economy is compared to regional competitors. In addition the Sheffield City Region (SCR) Strategic Economic Plan identifies a target of 70,000 jobs in the next 10 years. To achieve this it is likely that Barnsley will have to create 7,500 of these by 2024.
- 3.2 The borough currently lacks an adequate supply and range of available property that is sufficient to meet the current and increasing demand. This can be evidenced by the success of the DMC which is currently at full occupancy with pipeline demand-and an emerging digital and creative industries focus in the town which gives rise to the opportunity to create an improved and increased offer for this sector.
- 3.2 The Digital Campus has emerged as the headline action from a local stakeholder group comprising public, private and education sector stakeholders and the Courthouse Campus site identifies as the ideal location in close proximity to the town centre, adjacent to the existing DMC, transport interchange and Barnsley College. This stakeholder group has been delivering the EU funded TechTown project locally, an action planning network that addresses how to grow digital jobs and businesses. The co-created action plan covers the 'soft' infrastructure necessary to build a successful digital economy ecosystem and will inform the 'hard' infrastructure mainly focussed on the DMC and the Core (DMC2) plus new education space. This is an ambitious but informed agenda to grow digital jobs and businesses. The new TechTown Action Plan has been published and has led to the establishment of the Digital Campus project.
- 3.3 The DMC2 project is the first development in the Digital Campus with activity planned expected to provide a catalyst to the wider redevelopment. It is also a critical element of the wider town centre development, supporting this regeneration by helping to repopulate Urban Barnsley with professional high value occupational roles in a growth sector, following years of hollowing out of professional services and a lack of suitable, modern office accommodation.
- 3.4 Cabinet have already approved the strategic acquisition of the Core building and adjacent car park as part of the wider Digital Campus aspiration (Cab.11.7.2018/10)

- 3.5 Work is currently ongoing to achieve vacant possession of the building with 2 tenants in the process of relocating and others actively seeking alternative accommodation. BMBC Finance and Legal Services are considering the acquisition timeline against the tenant exit strategy and the current proposal is to complete by 29th March 2019.
- 3.6 A funding bid has been made to Sheffield City Region for £2.2M of Local Growth fund grant to contribute towards the cost of acquisition and refurbishment with £1,036,950 match funding from BMBC. Both the acquisition of the Core and its subsequent refurbishment has previously been identified as priority projects within the Council's future capital programme. Specifically the acquisition of the Core has full cabinet approval at circa £1.2million with due diligence on the acquisition underway.

4. Proposal and Justification

- 4.1 The project will refurbish the existing Core Building, internally remodelling to create a fit for purpose space for DMC2. Based on the success of the DMC, developing DMC2 as a centre to co-locate digital education and business is an opportunity to drive both growth in new and established digital tech companies, but also to increase the number of digital jobs across the wider business base particularly some of our largest sectors; healthcare, manufacturing and logistics.
- 4.2 DMC2 will provide grow on space for indigenous established and fledgling creative and digital companies who are expanding rapidly and require more facilities within the realm of the DMC operation, whilst also helping to provide additional accommodation to help attract a number of inwardly investing companies to Barnsley and the SCR region. This will release space for new and early stage companies to enter the DMC environment; currently there is a waitlist to join the DMC. The new facility will also expand the workspace and lab environment for supporting technology product led digital start-ups and delivering future cohorts of IoT Tribe (5 cohorts over 3 years). This lab space will be home to the 'maker' community in both the public and private sector which is an emerging strength locally currently located in DMC1. It will also be a connection point for wider industry to engage with digital technology, and to bring together corporates and start-ups and, importantly, learners.

Strategic Context - Sheffield City Region Growth Plan

- 4.3 The outputs provided by this project will specifically contribute to the following elements of the Sheffield City Region Growth Plan:
- **More and Better Jobs** - This scheme has a clear evidence base relating to the delivery of additional jobs through the provision of the DMC 2 facility as evidenced by the supporting economic impact assessment provided with this business case.

- **More Businesses** - Delivering the DMC 2 building will provide grow on space allowing existing DMC based businesses to expand. The release of space with DMC provides a platform to establish and attract new digital and creative businesses into the Sheffield City Region economy. This includes an inward investment delivery aspect through the delivery of programmes such as IOT Tribe North which attracts tech businesses into the City Region.
- **More Highly Skilled Occupations** - This project will specifically result in the creation of additional high skilled occupations within the digital and creative sector. The delivery of an integrated digital skills pathway delivered through the Digital Campus will also provide a framework to enable citizens to develop the digital skills required to access both current and future sector employment opportunities.
- **Higher Productivity** - This project has a clear evidence base in respect of a direct uplift in GVA for the local economy through the creation of more jobs, more businesses and highly skilled occupations.
- More specifically, the Growth Plan clearly articulates the untapped potential that exists across the city region in respect of the Digital and Creative Sector. This scheme is provides the infrastructure to help unlock and realise that potential. Barnsley Digital Campus is also recognised as a cornerstone of the City Region Global Innovation Corridor and therefore this scheme helps to solidify the regional offer in respect of the digital and creative economies.

Local Context - BMBC Focus on Incubation & Business Growth

- 4.4 Senior BMBC Officers have approved the Strategic Business Case for the Digital Campus project. The project aligns with the Courthouse regeneration plans and importantly forms part of the first phase of the proposals.
- 4.5 The proposal is consistent with both Local and Regional Economic goals for creation of new business and employment opportunities within the Digital Sector and supports the model for attracting inward investment to the Local and Regional economies. The Sheffield City Region Digital Action Plan sets out the goal of “A connected City Region, where digital technology and innovation drive economic growth and better outcomes for all”. In order to deliver this there is a need to achieve against three key aims:
- Growing a nationally significant tech cluster;
 - Building digital capability for all;
 - Enhancing Sheffield City Region’s digital ecosystem.
- 4.6 The Action Plan clearly articulates how the growth of the Digital and Creative sector within the City Region will directly contribute to the overarching inclusive Industrial Strategy outcomes through increased jobs, businesses and GVA. The Digital Campus within Barnsley and specifically the delivery of DMC cuts across the three priority themes of the action plan by developing a

key tech cluster within Barnsley already acknowledged as a key asset within the context of the SCR Global Innovation Corridor, building sector capacity through the growth of business and enhancing the city region digital ecosystem.

- **Ensuring new businesses receive the support they need to flourish** - Following successful growth of the DMC to 98% occupancy the existing small Digital businesses are constrained. Added to this demand from 40+ small digital business enquiries received annually cannot be accommodated.
- **Facilitating and proactively supporting growth amongst existing firms** - DMC2's primary purpose would be to host established small digital businesses and provide space for expansion and recruitment of new business. DMC2's location within the Digital Cluster makes it equidistant (60m) between:
 - DMC 1 for continued business support, networking and meeting space;
 - SciTech for all learning support, access to specialist Digital technology and Industry events - guest speakers from Industry partners on Tech Innovation;
 - Provision of interchangeable maker/demonstration/learning space facilitating the delivery of the skills agenda through the facility but also enabling partners such as the Advanced Manufacturing Research Centre to reach businesses within the local geography helping to realise digital growth aspirations through innovation.
- **Attracting investment from other parts of the UK and overseas & improving our brand** - The Digital Campus responds to forecast increases in local housing demand, office space and associated amenities. This digital cluster will provide a core focus and purpose as a hub for the digital sector and those sectors adopting the productivity and connectivity improvements digital skills generate. Existing close links with digital industry partners nationally such as Digital Catapult and Capital Enterprise will bring activity and exposure to the campus. The Campus project is already providing a platform to cultivate partnership working across the world by strengthening existing links with European partner cities through the URBACT framework but also into Asia in terms of the Fullsing Town facility in China and the Takhleeq Incubator in Pakistan. These relationships provide an international eco system which enables city region tech businesses to access overseas markets whilst also showcasing the city region eco system from an inward investment perspective.
- **Developing Barnsley's and the SCR skills base, labour mobility and education performance** - A major part of the Digital Campus focuses on addressing the Digital Skills gap at levels 3 to 6 with the College and Sheffield Hallam University increasing the local Digital capable workforce by 895 new students. This will increase the supply of local students progressing into digital higher education pathways with Sheffield Hallam

University providing a homogenous progression pathway in Barnsley for 40+ level 5/6/7 students each year. The scheme will therefore be essential in helping to promote towns and city centre as attractive place to live, work and socialise, helping to create attractive physical and social infrastructure for current and future residents and business to use. This will therefore help promote both SCR's and the Governments aspirations for an Inclusive Industrial Strategy.

- 4.7 The role of the Barnsley Jobs and Business Plan is to create the demand by creating the conditions for business investment through a series of large scale interventions focussed on infrastructure, town centres and business growth.
- 4.8 Priority 1 of the **LEP Area ESIF strategy** stipulates that to reach SCR's economic ambitions set out in the Growth Plan, we need to increase the growth, competitiveness and productivity of the existing business base.
- 4.9 Despite recent attempts to improve the Barnsley economy it is evident that to deliver the aspirations of the Government's Industrial Strategy more intensive support is required in the borough. Barnsley's GVA per worker rate (£46,025) is the 18th lowest out of all the 62 major towns and cities in the UK and significantly lower than the Great Britain average of £56,600. Likewise Barnsley has one of the lowest levels of innovation with a rate of 5.4 per 100,000 of population, whilst also accounting for only one successful SCR BIF application over the past four years. Helping to justify a requirement for the proposed support to alleviate structural issues that continues to hold back wider economic growth and limit Barnsley and SCR from reaching its true economic potential.
- 4.10 The Grand Challenges linked to the Industrial Strategy focus on areas relevant to Barnsley (Clean Growth, Future of Mobility, Ageing Society, AI and Data Economy) but in order to maximise the opportunity of these challenge areas to benefit local citizens and businesses, a step change in how we accommodate and support businesses is necessary particularly with a focus on data and IOT.
- 4.11 The Courthouse site within which the DMC2 is located is identified as a key town centre development site in the emerging Barnsley Local Plan. There is full policy support for the digital campus in this location.
- 4.12 Once completed, the scheme is expected to provide the following job outputs: 357 FTE jobs comprising 235 gross construction related and operational FTE and 122 net FTEs.

5. Consideration of alternative approaches

- 5.1 **Do nothing (No acquisition or refurbishment)** - this option would mean that BMBC does not proceed with the acquisition due to lack of funding. The current occupier of the building is Voluntary Action Barnsley (VAB), responsible for delivering third sector activity within the borough. The organisation is currently progressing through a fundamental restructure which

includes a consolidation of assets in order to achieve a sustainable funding position in the future. Soft market testing has been undertaken by the current owner and this has failed to identify a potential purchaser. Consequently should this option be progressed then not only would none of the economic outputs be achieved but this would also impact on the future sustainability of the third sector within Barnsley.

5.2 **Acquisition of building and marketing of existing spaces** - this option would see the Council acquire the building but no refurbishment would be undertaken. The existing footplate would be utilised and existing spaces marketed. The building configuration is not currently fit for purpose and letting of the premises would be challenging meaning that the scheme would be highly unlikely to deliver the same level of job outputs. There would be no ability to provide learning/maker/demonstrator space which would also result in the ability to deliver the digital skills agenda and also constrain business growth activity

5.3 **New build adjacent to DMC** - advantages to this include the ability to build to specification in order to deliver a facility that would meet market demand without compromise. There is a significant cost uplift associated with this option and would lead to a loss of car parking space adjacent to the existing DMC and thus reduced outputs from the wider digital campus project. This option is rejected due to the expense of building a new purpose built building and insufficient financial resource. In addition, the existing Core provides a more sustainable solution as it is a refurbishment of an existing building in the town centre.

6 **Summary of Proposals**

6.1 Cabinet have already approved the strategic acquisition of the Core building and adjacent car park as part of the wider Digital Campus aspiration (Cab.11.7.2018/10).

6.2 Work is currently ongoing to achieve vacant possession of the building with 2 tenants in the process of relocating and others actively seeking alternative accommodation. BMBC Finance and Legal are considering the acquisition timeline against the tenant exit strategy and the current proposal is to complete by 29th March 2019.

6.3 A funding bid has been made to Sheffield City Region for £2.2M of Local Growth fund grant to contribute towards the cost of acquisition and refurbishment with £1,036,950 match funding from BMBC.

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7 Implications for local people / service users

- 7.1 It is anticipated that the scheme will have a significant beneficial impact on the local communities they serve through the generation of additional employment opportunities.
- 7.2 One of the key priorities of the Jobs and Business Plan is to create more local jobs, more businesses and to connect local people with these opportunities. The effective delivery of the Jobs and Business Plan should therefore have a very positive impact on local people. Currently the limited supply of employment land and suitable buildings are severely restraining employment opportunities to attract new investment or allow existing businesses to stay in the area and expand. To create a range of land and properties is a key in being able to positively facilitate future employment opportunities.
- 7.3 The delivery of the proposed scheme to facilitate the delivery of much needed premises to attract new investment/creative and digital businesses and / or allowing existing businesses to stay in the area/expand.

8 Financial implications

- 8.1 Consultations on the financial implications have taken place with representatives of the Service Director – Finance (S151 Officer).
- 8.2 In July 2018, Cabinet agreed to purchase the Core building, pending the outcome of an independent valuation of the building. An amount totalling £1.2M of capital resources was set aside for this scheme, within the Council's Reserve Strategy.

- 8.3 The property has since been revalued at £1.275M, which represents the agreed purchase price of the property between Voluntary Action Barnsley and the Council.
- 8.4 Furthermore, as part of the 2019/20 budget process, Cabinet agreed to fund the extensive refurbishment of the building, which will be required to meet the specific requirements of the DMC 2 and is estimated to total £2.050M. This brings the total project costs to £3.325M.
- 8.5 A grant of £2.125M has been secured from Sheffield City Region Investment Fund (SCRIF) to support the cost of the project (i.e. purchase and refurbishment).
- 8.6 The financial implications are shown in Appendix A.

9 Legal implications

- 9.1 Legal Services are advising on all legal aspects of the scheme, in particular acting on behalf of the Council in relation to the acquisition of the leasehold interests in the Core Building and the adjacent car park and will be reviewing the terms and conditions of the SCR Grant Funding Agreement in due course.

10 Employee implications

- 10.1 There are no issues arising directly from this report.

11 Communications implications

- 11.1 All Sheffield City Region business case submissions are high profile schemes and appropriate communication strategies will be developed linked to the signing of the funding agreement. Releases will also need to be agreed and co-ordinated with Sheffield City Region Combined Authority arrangements.
- 11.2 Timely and accurate information will be provided through appropriate press releases via local press, social media/website updates, local member briefings, and engagement with key stakeholders.

12. Consultations

Finance
Legal
Communications
Assets and Property

13 The Corporate Plan and the Council's Performance Management Framework

- 13.1. The Jobs and Business Plan 2014 / 2017 sets out a clear set of metrics by which the overall success of the plan and this project will be defined.

14 Tackling health inequalities

- 14.1 Beyond the contribution that the creation of new jobs can provide in terms of reducing overall worklessness there are no direct matters of relevance arising from this report.

15 Climate Change & Sustainable Energy Act 2006

- 15.1 Action to improve the energy efficiency of the proposed building using BREEAM will help to reduce carbon emissions. Support for the low carbon sector is also proposed in the Jobs and Business Plan. Conversion of an existing town centre building is a more sustainable option than construction of a new build facility.

16 Risk management issues

- 16.1 The scheme has benefited from a detailed risk assessment that has taken into account both financial and property / asset based risk issues. All risks are logged in the corporate risk management database, Morgan Kai Insight, and are reviewed on a regular basis in conjunction with the Principal Corporate Risk Management officer.
- 16.2 The following table represents a précis of current key risks:

Risk	Mitigation
1. Inability to secure modernisation and improvement budget. Probability Low, Impact High	Existing control Measures: Additional external funding sources being sought. Potential for BMBC resource allocation. Risk Mitigation Action: Funding bids being pursued from Skills Capital and LGF.
2. Private sector competition. Probability Medium, Impact Medium	Existing Control Measures: Difficult for a private sector organisation to deliver the wider complimentary package of support and flexible terms that the Council is able to operate. Risk Mitigation Action: Maintain awareness of wider town centre offer. Develop marketing materials to advertise the unique nature of the Digital Campus.
3. Lack of additional floor space. Probability Low, Impact High	Existing Control Measures: Survey of building to inform additional floor space potential through refurbishment. Risk Mitigation Action: Stakeholder workshops to influence NPS redesign to maximise rental floor space. Involve existing DMC tenants
4. Lack of vacant possession. Probability low, impact high	Existing control measures: VAB has indicated that this will not be issue. Risk mitigation action: Implementing tenant exit strategy

<p>5. State Aid Probability Medium, Impact medium</p>	<p>Existing control measures: Liaising with Legal as necessary. An initial internal legal assessment on the broad proposals determined that the proposals may be state aid compliant but external legal advice was sought to confirm the position once comprehensive information about the scheme was available. The external legal advisor takes the view that no state aid arises but if the funder requires further comfort then there are a number of state aid exemptions to be relied upon..</p> <p>Risk mitigation action: External legal advice has now been sought..</p>
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16.3 It is envisaged that regular reviews of the risks associated with the project will be undertaken.

17. Health, safety, and emergency resilience issues

17.1 None arising directly from this report although there is the need to ensure all relevant staff are trained up on health and safety issues when visiting the site

18. Reduction of crime and disorder

18.1 The Council is collaborating with the Police to address anti-social behavior across the town centre. Good, safe design principles within the scheme will help and assist this work going forward.

19. Conservation of biodiversity

19.1 It will be essential to ensure the buildings constructed and the sites are checked for their impact on biodiversity.

20. Glossary

Sheffield City Region (SCR)
Local Growth Fund (LGF)

21. List of appendices

Appendix A - Financial Implications
Appendix B- Full Business Case
Appendix C- DMC Approval Letter Sheffield City Region

22. Background papers

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