



## Belfast City Council

<b>Report to:</b>	Strategic Policy and Resources Committee
<b>Subject:</b>	Digital Hub Update
<b>Date:</b>	22 February 2013
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<b>1</b>	<b>Relevant Background Information</b>
1.1	Members will be aware that the Belfast City Council Investment Programme 2012-15 sets out a package of measures to help address the impact of the economic downturn across Belfast and to capitalise on the city's growing reputation as a choice for foreign direct investment and a top tourism and cultural destination. One of the major capital schemes to promote economic growth in key sectors is the proposed Digital Hub.
1.2	The development of a digital hub has a close strategic alignment with the Super Connected Belfast Project which will see a £13.7million investment in the city's digital infrastructure. A key element of the Super Connected Belfast programme is the creation and growth of businesses in the Digital content sector and it is envisaged that a Digital Hub would play a key role in delivering on the objectives set out in the business case submitted to the Department of Culture, Media and Sport in support of Council's submission.
1.3	In order to further develop and refine the concept, and to test its viability, the Development Committee agreed in June 2012 to support a feasibility study into the development of a hub in Belfast. The Committee agreed that the feasibility study should look at not just the digital content sector but consider the broader creative industry sector which includes music, film, tv, digital media and design. The feasibility study was commissioned in September 2012 and Ekos were appointed to carry out this work. The company has extensive experience in this area and have carried out similar studies for the creative media centre in Stornoway, Media Enterprise Centres in Manchester as well as creative industries strategies for Creative Scotland and the London Development Agency.

<b>2</b>	<b>Key Issues</b>
2.1	The feasibility study required the company to consider a range of issues including: <ul style="list-style-type: none"><li>– Assessment of how the concept would sit within the strategic context of</li></ul>

	<p>wider support for sectoral growth from other national and regional government departments, including engagement with relevant stakeholder bodies to consider their support for such a scheme</p> <ul style="list-style-type: none"> <li>– Quantification of demand for the development, to be assessed through engagement with potential end-users and stakeholders such as Invest NI</li> <li>– Consideration of the infrastructure requirements of such a facility, to encourage optimal use</li> <li>– Consideration of locational requirements of a development of this nature</li> <li>– Identification of the type of support services that could “wrap around” the physical space to support business growth and collaboration between resident businesses and other companies</li> <li>– Consideration of the most suitable options for management for the facilities including cost projections.</li> </ul>
2.2	<p>Consultation with both the private and public sector was also a key element of the feasibility study. 25 Belfast-based companies spanning the key sectors of film, TV, music, digital media and design were consulted along with key public sector stakeholders including Invest NI, Department for Culture, Arts and Leisure (DCAL), Office of the First and Deputy First Minister (OFMDFM), Digital Circle (the trade body for the digital media sector), University of Ulster, Belfast Metropolitan College and the Northern Ireland Science Park.</p>
2.3	<p>The collective agreement from both the private and public sector stakeholders was that the hub should focus on “key areas of potential growth in the creative industries, with room for close links to technology”. In summary, this might include digital media, film and television, design and some digital content businesses e.g. app development.</p>
2.4	<p>The feasibility study has drawn a number of key conclusions:</p>
2.5	<p><u>Need and Rationale for a Creative Hub</u>  The study suggests that there is a demand from the sector and support from stakeholders for a facility of this nature. The industry survey suggested that 87% of those surveyed would be supportive of a hub, with almost two thirds expressing a strong interest or full commitment.</p>
2.6	<p><u>Services and Activities</u>  Those surveyed suggested that the hub should provide a range of services and activities including flexible workspaces for creative companies with demonstrable growth potential. These should be available on flexible lease terms and at affordable rents – cost will be a major factor in company decisions about whether or not to locate in a hub. Other facilities that would be supported include hot-desk/drop-in area available to visiting companies/professionals; regular business events, including clinics with professional services providers (lawyers, accountants and HR specialists); networking events run by the hub and other partners; and business development support for companies in the hub, making use of existing services but ensuring clear access for hub tenants.</p>
2.7	<p><u>Management</u>  The report suggests that the hub requires dedicated management support. Those providing the support should have knowledge of the creative/digital industries sectors. It is recognised that the proposed funding arrangement for the capital investment (i.e. for Belfast City Council to invest in the infrastructure and lever funding from European Regional Development Fund (ERDF)) will mean that the Council acquires the asset (on lease or buy terms). However it is proposed that the management is sub-contracted to a suitably qualified</p>

	<p>organisation, to be identified through a process of competitive tender. The contract can be based on delivery of clear targets relating to occupancy, income, activities and company growth.</p>
2.8	<p><u>Infrastructural requirements</u>  Businesses questioned suggested that there were a number of infrastructural requirements that would attract them to a development of this nature. These include high-speed, uninterrupted broadband access (potentially provided through the Super Connected Belfast Project); mixture of flexible office space (with potential to expand) and open, communal areas as well as quality catering facilities (in the location or adjacent).</p>
2.9	<p><u>Location Requirements</u>  A number of locations were considered as part of the feasibility study which were assessed on a range of criteria including, stakeholder support, potential cost, ease of access and availability of amenities.</p>
2.10	<p>The locations considered included Ormeau Business Park, Weavers Court, City Centre, Titanic Quarter, Cathedral Quarter, Crumlin Road Gaol and Springvale.</p>
2.11	<p>Specific consideration was given to Crumlin Road Gaol and Springvale given the potential regeneration impact of the project. Crumlin Road Gaol was deemed not ideal due to physical constraints presented by the structure of the building which limited the potential to provide suitable workspace, meeting rooms and networking space. The feasibility study for Springvale has pointed to the need to develop a facility which will maximise the potential for job creation in this area and thus will focus on a much broader industry base.</p>
2.12	<p>The analysis ultimately concluded that the preferred location for such a facility would be Cathedral Quarter.</p>
2.13	<p>The main reasons cited for the Cathedral Quarter location were the alignment with the UU campus development plans; accessibility and adjacency to other, similar developments (e.g. Blick Studios and DSD managed workspaces at Cotton Court) and the potential to further develop the area as a creative quarter in the city.</p>
2.14	<p>In summary, the feasibility study has confirmed that there would be a demand for a creative hub, targeting micro-businesses in the creative and digital sectors, offering flexible lease terms and providing support services to encourage collaboration and stimulate new product development and access to new markets.</p>
2.15	<p>However, if the project is to progress beyond this feasibility stage, the next steps will include identification of a number of relevant, potential sites with associated costs; assessment of management arrangements and costs and development of a business case to ensure that the scheme is economically viable. The scheme will also need to meet with the external funder requirements, if resources are to be sought from external partners.</p>
2.16	<p>Once this business case is completed and approved, a funding application can be made to lever match-funding support for the scheme from the European Regional Development Fund (ERDF). Agreement has been reached with the funding management body (Invest NI) that they would be willing to accept a submission for support up until end March 2013, subject to ongoing engagement with them to advise on potential costs and timeframes.</p>

2.17	If this approach is pursued, it is likely that the costs will be lower than originally anticipated in the Investment Programme. This is due to a number of factors, but primarily the fact that the buildings in Cathedral Quarter are generally of a smaller scale than a new-build development might be.
2.18	However, if the Cathedral Quarter proposal was to develop, there may be an opportunity for the Council to establish a series of “networked creative hubs” in that location, given that it is likely that we may acquire three managed workspaces as part of the Review of Public Administration which are currently owned by Department for Social Development (DSD). These facilities are all located around the Cathedral Quarter area. It will also allow for economies of scale around facilities management and programme support activities.

<b>3</b>	<b>Resource Implications</b>
3.1	<p><u>Financial</u></p> <p>An indicative financial commitment of £4million total cost had been identified for this scheme within the Investment Programme. At this stage, it is not possible to finalise the costs for the scheme, until the preferred site has been identified. However, the costs will not exceed the £4million and, depending on the site, are likely to be significantly lower than this level. Further reports identifying potential costs will be brought forward should Members endorse the approval to move towards the business case stage.</p> <p>The costs for progressing this to Economic Appraisal will be met out of the Feasibility Fund and will not exceed £60,000.</p>

<b>4</b>	<b>Equality and Good Relations Considerations</b>
4.1	No specific equality and good relations implications.

<b>5</b>	<b>Recommendations</b>
5.1	<p>Members are asked to:</p> <ul style="list-style-type: none"> <li>– Note the key findings of the feasibility study on the creative/digital hub project</li> <li>– Approve the development of a business case, based on a number of potential options within the preferred location, i.e. Cathedral Quarter</li> <li>– Progress the Creative Hub project to ‘Stage 2’ on the Capital Programme and permit the carrying out of an Economic Appraisal on two locations with the costs to be met from the Feasibility Fund</li> <li>– Note the intention to lever EU match funding, including the application timeframes for these funds.</li> </ul>

<b>6</b>	<b>Key to Abbreviations</b>
DCAL	– Department of Culture, Arts and Leisure
DSD	– Department for Social Development
OFMDFM	– Office of the First and Deputy First Minister