

**Programme Management Group**

**13 September 2018**

**Capital projects – Aldershot Games/Digital Hub – Item 6b**

Programme Management Group members are asked to:

**CONSIDER** the details of the Aldershot Games/Digital Hub project, the issues raised by the AECOM due diligence report and the response to these

**AGREE** that expenditure from the Local Growth Fund (LGF) of £867k is approved for this project

**1. Background**

- 1.1 Following the March 2018 funding call, the Aldershot Games/Digital Hub project was marked as an A category project and was approved to progress to due diligence by the Programme Management Group on 5<sup>th</sup> July 2018
- 1.2 Since this time, due diligence has been undertaken by Peter Holding of AECOM and a report received.

**2. Details of the project**

- 2.1 The aims of the project are to:
  - Promote immediate short-term and interim development of the games/digital economy in Aldershot, providing the physical and support infrastructure to facilitate the retention and growth of this priority sector;
  - Contribute to the wider physical and socio-economic regeneration of Aldershot by bringing an iconic landmark building back into productive economic use;
  - Ensure the long-term viability and expansion of the social enterprise training organisation (Rock and Pop Foundation), a key institution and employer in Aldershot Town Centre; and
  - Support the long-term growth and development of the digital economy in north Hampshire and the wider EM3 LEP area.
- 2.2 The project involves the restoration and refurbishment of the Old Town Hall in Aldershot with two distinct phases of use. In Phase 1, from 2019 – 2021, the building will provide a collaborative workspace in which existing and aspiring games/digital entrepreneurs, micro and small and developing businesses can come together to share knowledge, experience, ideas, networks and contacts in order to support the retention and growth of digital businesses within the area.
- 2.3 This Aldershot Games/Digital Hub will offer a combination of “state of the art” facilities (including Mobile Edge Computing services developed in partnership with the 5G Innovation Centre in Guildford that game developers can use for future marketing and sales activity) and flexible working arrangements together with essential support services for new and fledgling businesses in order to support an

increase in the number of business start-ups in this key sector and help existing businesses 'scale-up'.

- 2.4 The project aims to build upon the strength of the sector along the Guildford-Aldershot axis whilst contributing to the growth of associated priority sectors, including defence and aeronautical within the sub-region. It will comprise the following services and facilities:
- Secure premises
  - Meeting Rooms
  - Office space
  - Collaborative work space
  - Support services with respect to accountancy, legal, marketing, branding, Intellectual Property, etc
  - Virtual Reality Suite
  - Auditorium
  - Café/Restaurant (potentially)
  - High speed broadband
- 2.5 A survey, undertaken by Rushmoor Borough Council as part of the demand assessment for the project, identified strong demand from businesses for this type of facility in Aldershot and the development of the Games/Digital Hub will help the area capitalise on current rapid sector growth. It will also help to avoid the probable relocation of local 'scale-up' businesses in this sector to other areas, possibly outside the EM3 LEP area. There are strong indications from the survey that if Aldershot is not able to respond positively to the expressed demand in the near future, then local entrepreneurs will feel obliged to move to a location that is more supportive (with almost 50% of respondents quoting the high cost of locating in the sub-region as a probable reason for re-locating – and the projected rentals chargeable in Aldershot enabling them to remain).
- 2.6 The main reasons cited in the survey for businesses supporting the development of the Games/Digital Hub in Aldershot included:
- The proximity to Guildford specialist sector expertise without the added costs associated with a Guildford address
  - The scope to create all of the collaborative benefits within one facility as described above
  - Property values in Aldershot are presently significantly less than anywhere else in the sub-region
  - The strength of the complementary sectors in and around Aldershot – especially defence and aeronautics
- 2.7 It is anticipated that Phase 1 of the project (2019 to 2021) will create 100 new jobs in the Games/Digital Hub together with 370 jobs safeguarded in the wider digital economy. The project impacts will also include significant skills development, providing knowledge and skills transfer to other sectors in the region including defence, aerospace, automotive and medtech.
- 2.8 In 2021 it is anticipated that the Games/Digital Hub will transfer to a purpose-built facility in Aldershot town centre. Rushmoor Borough Council is in advanced discussions with the University of Creative Arts to create a "gaming/digital campus" in Aldershot comprising dedicated student accommodation that will prioritise those

students studying on gaming and “digital” courses – from the Business School for Creative Industries (a UK first). This development will complement the existing strength of the digital offer in Aldershot formulated around Testology and the associated games development quality assurance specialism.

- 2.9 From 2021 onwards, in Phase 2 of the project, the Old Town Hall building will support the growth and development of the Rock and Pop Foundation - a music ‘college’ and socially responsible training enterprise that has been established for over 20 years in Aldershot and has taught 40,000 children and young people. It provides a unique contemporary music service to schools, colleges and individual young people in the Enterprise M3 LEP area.
- 2.10 The Rock and Pop Foundation already owns and operates a music college and training centre - employing 44 people and training 3,000 students per week up to diploma and degree level - from an adjoining building on the Old Town Hall wider site. Its expansion plans, including a future dance school/college, involve utilising the Old Town Hall building. This will create an additional 15 jobs directly plus 15 more in a ‘sister’ organisation (Hi-Speed), as well as bringing 600 new teachers to the town for music teacher training.
- 2.11 The project also forms a key part of the Rushmoor Borough Council “Regenerating Rushmoor” initiative which is being progress in partnership with Hampshire County Council, Homes England, Enterprise M3 LEP and a number of private sector partners. The redevelopment of the iconic landmark Old Town Hall will therefore significantly contribute to the wider physical and socio-economic regeneration of Aldershot and add to the ongoing investment in an emerging ‘cultural quarter’, complementing significant private and public investment of over £40 million in the rest of Aldershot, including £8M of Housing Infrastructure Funding from Homes England.
- 2.12 A number of other project delivery options were explored by Rushmoor Borough Council but all of these were ruled out because of one or more of the following reasons:
  - The owner was seeking an unrealistic price for acquisition (Progress House, Willow House)
  - The owner was not interested in a sale (Former County Court, Victoria Road)
  - The site was subject to future redevelopment proposals (58 Union Street)
  - The site was considered too small/wrong location (Wellington Centre, Princes Hall)
- 2.13 The only site that is presently and immediately available is the Old Town Hall site which is close to the Town Centre. It is available on affordable terms, has a willing “owner” and has the potential to be utilised to develop the Games/Digital Hub at an accelerated pace ahead of the construction of a bespoke facility in 2 – 3 years-time within the Union Street redevelopment scheme. The Union Street site is considered a preferable longer-term location for the Hub because it is in the heart of the town centre where additional services and facilities (including café, games “bar”, special events, etc) will be more commercially viable and where a bespoke facility can be designed and constructed.
- 2.14 Rushmoor Borough Council is seeking a grant of £867,000 which will unlock match-funding of £1,277,500 from a range of organisations including Hampshire County Council, Rushmoor Borough Council, The Rock and Pop Foundation, Virgin Media Business and 5G innovation fund/5G Innovation Centre and Asmodee.

- 2.15 The LGF funds will pay for restoration and external refurbishment works to the Grade II\* listed Old Town Hall in Aldershot as well as internal modifications, fit out, broadband connectivity costs, and a contribution towards first year start-up, implementation and running costs. The Aldershot Games/Digital Hub will not make a revenue surplus until 2021 and if a loan was proposed, the desk/room rates that would need to be charged in order to service the repayments of the loan would act as a disincentive to users which will undermine the purpose of the Hub.

### **3. Independent scrutiny and assurance**

- 3.1 AECOM has carried out due diligence to consider the efficacy of the project and to review its outputs.

- 3.2 AECOM has concluded that the:

- A programme period of four months should be adequate for the works to be carried out (January 2019 to April 2019).
- The project costs are what would be expected for the size and scope of the project based upon the area to be refurbished.
- The contingency allowance of 20% of the estimated cost is appropriate for this type of project.
- The tendering process proposed is suitably robust basis and will comply with the tendering protocol in place at RBC.
- The project management team have the necessary experience and management skills to deliver the project.

- 3.3 AECOM has provided the following recommendations.

- a) The Applicant provides written approval from the building owner for the works to be carried out.
- b) RBC provide a detailed programme of the works to EM3 when it has been developed.
- c) RBC provides a fully costed breakdown of the final design identifying the elemental content of the works including professional and other fees.
- d) RBC confirm how they will deal with any VAT liabilities and that any project overspend will be underwritten by them.
- e) RBC provide an 'Organogram' to identify the roles and responsibilities of the project team when it is appointed.
- f) EM3 obtain written confirmation from both Hampshire County Council and the Rock and Pop Foundation that the timescale referred to in the Expression of Interest for the approval of the sale and lease is achievable.

### **4. Summary and recommendation**

- 4.1 On the basis of the due diligence report and the assessment of the Aldershot Games/Digital Hub project, approval is sought from the PMG to release the funding, subject to legal contract.

Alan Elder

29 August 2018