

Report



Cabinet Member for Regeneration and Housing

Part 1

Date: 29 August 2017

Subject Request from Cardiff University to approve investment of Joint Venture monies into the National Software Academy

Purpose To seek approval from the cabinet member for Regeneration and Housing to commit £575,000 (as a maximum) of Welsh Government / Newport City Council Joint venture monies (to be termed as JV monies within this document). This will be used to gap fund the refurbishment of the Information Station, which will create a custom-designed, innovative teaching facility across 3 floors of the Information Station to make it a suitable long term home for the National Software Academy in Newport.

A cabinet member report for disposal of use for the info station (3 floors) has also been put to the cabinet member Assets. Both papers co-exist and will require successful sign off to continue this venture.

It should be noted that a future Cabinet member report will be forthcoming which will require further financial support in order to deliver capital improvements at council venues.

Author Head of service Regeneration Investment and Housing

Ward All

Summary This report provides information on a request from Cardiff University to commit £575,000 of Joint Venture monies into the creation of a National Software Academy in Newport. This will require the refurbishment of 3 floors of the Information station and a total investment from Cardiff University of 1.15 million pounds thus requiring 50% gap funding from Joint Venture monies. Any further monies required would be met by the university.

Proposal Newport City Council (NCC) and Welsh Government (WG), through its Joint Venture activities has accrued £2.6m (to date), which has formally been agreed, by both parties, to be spent on Regeneration activities Within Newport City Centre.

Cardiff University has approached NCC / WG to gap fund £575,000 of the total cost (£1.15m) of refurbishment of 3 x floors of the Information Station to create a National Software Academy. In return Cardiff University will invest a minimum of £575,000 in order to refurbish the building.

The University wish to lease the premises for 9. 4years (Full internal repairing lease / for the life time of the councils agreement with Network Rail) and this will be undertaken in the format below.

1. One floor from December 2017
2. A further two floors from May 2018.

The full refurbishment plan and costings from Cardiff University have been provided and are considered by Newport NORSE our Property partner and confirmed to be in keeping with Industry standard costs.

Heads of terms has been created by the NCC Legal Department and agreed by NCC and Cardiff University. This should be signed by the end of August if this paper is agreed.

Action by Head of Regeneration, Investment and Housing

Timetable Immediate

This report was prepared after consultation with:

- Head of Legal
- Norse
- Head of Finance
- Head of Regeneration, Investment and Housing
- Welsh Government
- Capital Finance Team
- Head of Law and Regulations
- Head of Finance
- Head of People and Business Change

Signed

Background

1. Cardiff University and Welsh Government set up the National Software Academy (NSA) in 2014. They are currently located at 11 Devon Place, Newport but their current premises will not cater for the projected expansion of 200 students by September 2017.
2. The NSA is a major draw to industry with over 120 companies engaging with the software academy in the last 12 months and this number is set to grow. The NSA is of strategic importance to the city, being earmarked for funding through Cardiff Capital Region City Deal and potentially providing a significant contribution to the economic development of the area. The Information Station building fits the requirements of the NSA, who have ruled out other locations in the city.
3. As a result, an opportunity is presented to the council to reconfigure services from the Information Station into space in the Civic Centre and / or other council buildings, reducing the asset liability of the council.

National Software Academy

4. In 2014, Cardiff University partnered with the Welsh Government, Alacrity and industry to pilot the UK's first National Software Academy (NSA). The aim was to help address a national shortage of software engineers by testing a new approach to teaching in which students learn through working on projects provided by industry rather than through lectures.
5. The pilot, which was located in 11 Devon Place, Newport, successfully demonstrated that learning outcomes for students could be delivered through real life business projects and that industry was willing and eager to get involved in shaping the training of their potential future work-force.
6. Consequently, Cardiff University launched the NSA in 2015 - from September 2017 there will be 140 students in the Academy and these numbers are forecast to grow as physical space allows.
7. The NSA has so far exceeded all the initial expectations. It is at the heart of Newport's developing city centre technology cluster, helping to attract inward investment and creating a pipeline of world-class graduates who can service the demand in the South Wales economy.

Current Position

8. The University carried out an extensive options appraisal exercise on a large number of sites in Newport and Cardiff. This included detailed discussions with two private sector developers and consideration of an expansion of the existing site.
9. NCC Business Improvement Team have undertaken considerable work to identify the validity, cost and strategic value of this project for the city and in all cases it can be confirmed (to date) that it meets requirements and does not adversely affect core council delivery – although extensive movement of staff is required.
10. The only building in Newport identified as meeting the University's requirements is the Information Station situated on the site of the old Newport railway station. All other Newport sites were ruled out due to significantly higher costs, availability or distance to the train station.
11. The Information Station is a large, 4 storey building comprehensively refurbished by Newport Council in 2012. It is owned by Network Rail and leased to the Council for the next 10 years. The Council have indicated that they can sub-lease the top 3 floors of the building to the University over the course of the next 12 months.
12. The University has provisionally agreed that the Information Station should be progressed as the new home for the NSA subject to financial assistance from the Welsh Government to help with the costs.

13. As it currently stands, the 3 floors earmarked for the NSA, are mostly open-plan and allow for a clean-sheet design of enhanced facilities and teaching space in a way that maximises the investment of the University as a whole and will enable a smooth transition between the current building and the new with minimal disruption to teaching and research activities.
14. The total project cost, which has been prepared by Capita on behalf of the University, is estimated at £1,150,000. This includes costs for acoustic partitioning to create teaching and office spaces, redecoration, a bespoke entrance for the NSA, furniture, IT networking and AV equipment (essential to the teaching activities of the NSA). Costs are also included for the reconfiguration of mechanical and electrical services, design, project office, contingencies, VAT.
15. The project will be funded and managed by the University. However the estimated cost is significantly above what they are able to justify spending on a site remote from the main centre of operations particularly as alternatives are available in Cardiff.
16. They have therefore requested a grant of 50% of the estimated total project cost, up to a maximum of £575,000 – **this is the preferred option**. If the final costs are higher than the current estimate the University has confirmed that it will cover any additional costs without the need for grant support.
17. The JV Monies will secure the long term future and growth of the NSA in Newport and induce an overall investment by the University in Newport of some £2m per annum over the next 10 years. It will also:
 - Safeguard 10 high quality jobs and create 6 new ones;
 - Deliver at least 60 new undergraduate students per year plus 20 new MSc students per year – helping to address the critical gap in the South Wales economy for qualified, industry-ready software developers;
 - Support up to 20 business projects per year each with the potential to realise significant spin off opportunities;
 - Underpin and grow a vibrant technology cluster within the city centre;
 - Lay the foundation for further potential initiatives including a software degree apprenticeship programme and a spinout company to undertake commercial software development.
18. The alternative option is that the NSA would have to relocate to Cardiff

Implications for Newport City Council

19. Currently Newport City Council uses the facility as an information station allowing customers to access a wide range of council services. It is important to clarify that although some teams will be moving the Information Station will remain a 'one stop shop' for those wanting to access services in the immediate future
20. The ground floor and 1st floor will continue to be occupied by the council and customers are unlikely to see a significant difference in accessing key services at the information station.
21. There is a requirement to relocate the Domestic Abuse Unit and NCC is considering the Library as a suitable venue in the city centre in order to provide continuity of service delivery.
22. In awarding this grant and it is enabling the NSA to take occupation of the space and in addition to the wider economic development benefits to the city will generate and income stream of £336,000 per year (full year effect) and an additional saving of £37,000 due to a reduction in the rates.
23. Staff on the three floors of the information station will be relocated to the civic centre and central library at an estimated cost of £1.1m. This includes costs for the relocation of Domestic Abuse Unit and investment in the civic of improved office accommodation. This will be funded through the income stream referred to above.

Financial Summary

Please refer to appendix A – Part 2

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
If Cardiff university pull out of the proposal	H	M	Newport City Council would lose a key partner in creating a digital creative industries eco System. It would then require significant work to find another partner.	Keir Duffin Bev Owen
If NCC or WG are unwilling to provide the Gap funding	H	L	A key plank of the 2020 vision and the city centre Masterplan would need to be reconsidered and offered to new stakeholders. This would set the concept back a number of years and potentially halt the economic traction created within the city.	Keir Duffin Bev Owen
Cardiff University cannot refurb the facility to projected costs i.e. the price exceeds estimate	M	L	Newport Norse / Capita have independently reviewed the figures and have concurred that they meet industry standard costs. If any further cost is incurred above £1.15 million full responsibility is taken by Cardiff University. WG and NCC will work closely with Cardiff University throughout the development and delivery phase of the build	WG / NCC Finance On behalf of the Internal NSA strategy group
What if the University NSA project is not successful	L	M	Cardiff University has run a pilot site at Devon Place and has exceeded capacity within 3 years. NCC and WG will look to work proactively with the university over the life of the programme to secure its success.	Keir Duffin Robert Griffiths Bev Owen

Links to Council Policies and Priorities

20/20 vision / Newport Economic Strategy / City Centre Masterplan

Options Available and considered

To agree a maximum of £575,000 gap funding – reliant on a satisfactory 9.4 year sub lease agreement with Cardiff University

To refuse the gap funding proposal

Preferred Option and Why

To agree a maximum of £575,000 gap funding order that the council can meet its strategic objective to become a digital city

Comments of Chief Financial Officer

There is currently c£1.6m of capital receipts in relation to the earmarked Joint Venture monies, with a further £1m due during 2017/18. The utilisation of these funds is subject to agreement by Welsh Ministers.

Due to the capital receipts being one off funding, utilising £575,000 of the receipts for this purpose reduces the current balance to £1.034m, which based on the 60/40 split is £620,000/£414,000 Welsh Government/NCC. This needs to be taken into consideration for availability for future projects.

The proposal to access Joint Venture monies to gap fund the refurbishment of the Information Station meets the jointly agreed criteria that the budget should be used to fund regeneration activities in the city centre. If funding is agreed there is a potential to provide a significant contribution to the economic development of the area whilst also safeguarding existing and creating new jobs. In approving the grant it will become possible to let three floors of the information station to Cardiff University (NSA) creating an income stream by way of rent and reducing the Council's liability for rates. As highlighted in the report these savings in the early stages will be required to fund the moving costs and refurbishment work necessary to relocate staff from the Information Station to other council buildings.

Comments of Monitoring Officer

The proposed grant payment is in accordance with the Council's general powers of economic well-being under Section 2 of the Local Government Act 2000 and also meets the criteria for the use of the earmarked Joint Venture monies, as previously agreed by Cabinet and the Welsh Ministers. The grant payment will assist in meeting the capital costs of refurbishing the Information Station Building to accommodate the National Software Academy and to enable them to take up the offer of a sub-lease of part of the premises. This will secure the Academy within Newport, create employment and educational opportunities and provide a catalyst for the development of a technology cluster, in accordance with the strategic objectives of the Cardiff Capital Region City Deal. The award of the grant will be subject to agreement by the Minister and also subject to the Cabinet Member for Assets and Member Development agreeing to the appropriation and disposal of parts of the Information Station to Cardiff University on a full internal repairing and insuring lease at an open market rental.

Comments of Head of People and Business Change

The report is concerned with the release of joint venture grant to be used to match fund Cardiff University investment in the Information Station. This would enable the proposed use of the building to house the expanded National Software Academy (NSA). The safeguarding of the NSA in Newport should have economic multiplier effects in terms of graduate development, entrepreneurship skills and business growth as well as the prestige of hosting a 'digi-tech hub' in the city centre. The main implication for the Council relates to the relocation of staff currently working from the Information Station and this is being project managed by the Business Improvement Team. It is noted that the Welsh Government Minister has already approved use of the joint venture grant funding for this purpose.

Comments of Cabinet Member

The report author is to confirm that the Cabinet Member has approved the report for consideration by cabinet.

Comments of Non-Executive Members

Councillor Phil Hourihane

I support the proposal and believe it is totally in accord with Newport City Council's ambition to produce and secure high quality employment for the city.

Local issues

None.

Equalities Impact Assessment and the Equalities Act 2010

N/A

Children and Families (Wales) Measure

N/A

Wellbeing of Future Generations (Wales) Act 2015

The Well-being and Future Generations (Wales) Act seeks to improve the social, economic, environmental and cultural well-being of Wales. Public bodies should ensure that decision take into account the impact they could have on people living in Wales, in the future. The 5 main considerations are:

- Long term: Funding regeneration schemes in the short term will enable the local economy to grow and sustain jobs and new housing in the longer-term, leading to a more prosperous and resilient Newport with cohesive communities and a more prosperous Wales.
- Prevention: Regeneration will prevent further decline in key parts of the City. Resultant new housing and job creation will help reduce housing need and unemployment rates leading to a more prosperous and resilient Wales.
- Integration: Improving the physical environment will make the City more attractive to investors and residents. Creating more jobs and housing will improve the well-being of Newport's residents by providing more equal job prospects and access to a range of housing. This will create more resilient and cohesive communities who are well served by suitable housing and employment opportunities.
- Collaboration: We work closely with other Council departments and external partners including Welsh Government to deliver regeneration priorities in Newport. This leads to a more prosperous and resilient Wales with more cohesive communities.
- Involvement: All the recommendations in this report fully support the findings of the recent Your Newport Survey. This helps develop a more prosperous, resilient Wales with sustainable and cohesive communities.

The proposal is in line with the Council's well-being objectives published in March 2017. Specifically, these proposals contribute to the following well-being objective:

"Promote economic growth and regeneration whilst protecting the environment"

Crime and Disorder Act 1998

N/A

Consultation

N/A

Background Papers

Agreement on the protocol for Joint ventures monies between Welsh government and Newport City Council – Cabinet May 2017

Dated: 29 August 2017