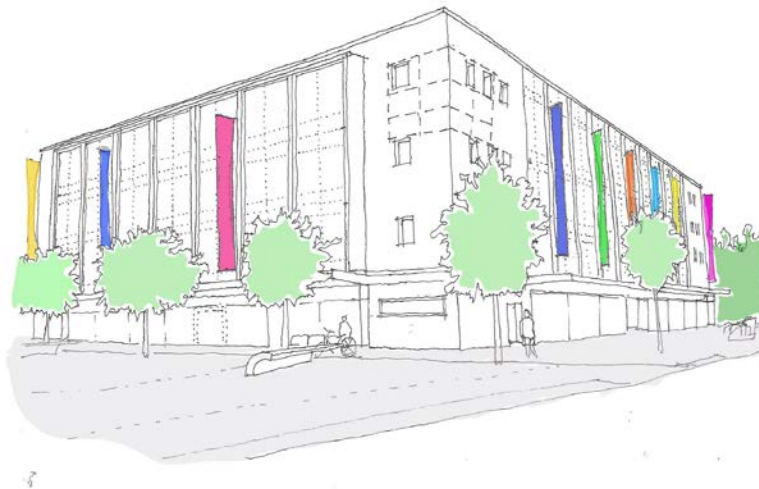


Southampton Solent University

Digital and Creative Innovation Centre



Case in support of an Innovation Fund application to the Solent Local Enterprise Partnership

Southampton Solent University

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Executive Summary

This is the case in support of the application for Innovation Fund grant funding by Southampton Solent University (SSU) for a Digital and Creative Innovation Centre, located in the heart of Southampton's Cultural Quarter.

The Solent Digital and Creative Innovation Centre proposal delivers on the Solent LEP imperatives to: unlock innovation-led growth; engage more businesses in knowledge transfer and innovation; support new businesses and ensure SME survival and growth; and develop strategic sectors and clusters.

The project represents a significant opportunity to address the Solent LEP's aspiration to: create additional new jobs; achieve GVA growth; increase GVA per job; improve productivity; increase employment rates; improve economic activity rates; raise the business birth rate; improve the business survival rate; increase inward investment into the Solent region; increase collaboration with industry; commercialise research; and retain and attract graduate talent in the Solent region.

The Digital and Creative Innovation Centre (DCIC) will be established in Guildhall Square in the heart of Southampton's Cultural Quarter and Business Improvement District (BID). A unique opportunity has arisen to transform the Sir James Matthews building, owned by SSU, into an innovation centre focussed on high growth start-ups operating in the digital and creative space.

Scheduled to open March 2020, this major investment by SSU will create a highly visible hub for the digital and creative industries in the Solent region, stimulate the wider economy in the region through enabling activities, and serve as a regional anchor for future growth of the cluster and cultural offer.

The innovation centre will provide 23,658 sq.ft. of business growth, co-working, collaboration and exhibition workspace and support approx. 112 companies when established. Over a 10-year period, the DCIC will deliver 840 gross jobs, 504 net jobs, with £20,290,469 GVA on new jobs created over the 10 years. The additionality GVA over the 10-year period will be £17,001,740.

The DCIC will provide space for start-ups and early stage businesses as well as for business and community engagement and interactions. In addition, both the Hampshire Chamber of Commerce and the SSU School of Business, Law and Communications will be co-located, which will support and encourage a pipeline of new talent, with substantial input from businesses.

Nowhere else in the Solent region is this powerful constellation of resources available in a prime city centre location to lead on the growth and development of the digital and creative sector. Research by Nesta has identified the Southampton city region as a hotspot for the creative industries.

SSU is ideally placed to lead this initiative. SSU is:

- a major supplier of highly trained creative graduates (one of the top 6 universities in the UK for creativity according to Which? Magazine 2014)
- 9th highest university in number of annual start-ups and freelancers
- shortlisted for the Times Higher Outstanding University Entrepreneurship Award (see Appendix)
- ranked by The Economist as the 12th best British university for boosting graduate earnings
- already well regarded in the creative and cultural sector

- innovative in terms of its expertise and research in the sector
- engaged and connected with key stakeholders.

In addition, SSU will work with other key stakeholders in the region including the universities, the councils, the LEP, industry, businesses and creative and cultural organisations.

In order to realise wider benefits to the region from the establishment of the DCIC, Solent LEP support is sought for this project. The DCIC achieves a hurdle rate of 4.51 Direct and 8.29 Direct + Indirect on return on investment against public monies spent.

Strategic Case

This proposal is a very strong fit with the strategic priorities of the Solent LEP; it clearly addresses and supports the vision, objectives and strategic priorities in the Solent LEP's *Transforming Solent: Solent Strategic Economic Plan (2014-20)*, and the *Productivity and Growth Strategy Update (February 2017)*, in particular to:

- *Unlock innovation-led growth to engage more businesses in knowledge transfer and innovation, develop links to wider Higher Education Institutions (HEIs) and demonstrate the benefits of working with knowledge-based partners.*

By being based in the heart of the Cultural Quarter and highly visible, the DCIC will place SSU, its expertise, knowledge, staff and students in the centre of this activity. Universities make important contributions to innovation in regions' creative industries (Nesta); creative industries are increasingly reliant on sophisticated knowledge and tools, which can be supplied through partnerships with universities. SSU is already working with other regional universities to support innovation and engagement with the knowledge base and will increase this with the establishment of the DCIC. SSU is currently a partner in a bid to the AHRC Creative Clusters R&D programme along with four other universities and industry partners. This partnership is explicitly based on industry challenges.

- *Provide effective support to our small and medium-sized enterprises (SMEs) to enable them to grow.*

By providing targeted and tailored business support for not only the creative and digital sectors, but also for the sectors that can benefit from those enabling skill sets, the DCIC will be a proactive and visible hub for business start-ups, support and growth in Southampton. Drawing on SSU's strong industry links and academic expertise, the DCIC will stimulate R&D activity that bridges the digital creative sector and other industry sectors to develop new products and IP through techniques, knowledge and skills born out of the digital and creative industries.

- *Maximise the economic impact of our economic assets in the area and sectors with the potential for growth.*

Solent LEP has identified digital and creative as a strategic sector and has recognised the importance of developing clusters of interconnected businesses. National research also supports the high growth of the creative sector. In addition to engagement with the digital and creative sector, the DCIC will engage with non-creative sector industries in order to promote collaboration and creative R&D activity, utilising methods, skills and knowledge derived from creative industries to form a 'creative bridge' between digital and creative industries and science, health and engineering.

- *Ensure people have the right skills to access employment and support our growing sectors.*

The DCIC will not only provide access to specialised skills and relevant training, but will also encourage highly skilled graduates to remain in the region and grow businesses. Creative and digital skills are in high demand as enablers in other sectors. Research and industry surveys have identified a lack of business skills and knowledge as a significant barrier to growth for creative sector businesses. The DCIC will run tailored workshops for the digital and creative industries and will develop a business development programme for

professional leaders in the creative industries that enables entrepreneurs and creative professionals to develop as business leaders. Business models, R&D processes and export strategies that have long been adopted in other sectors rarely apply in the creative sector where businesses operate across a challenging, fast moving, and often dispersed economy. The DCIC will enable collaborative R&D of new business strategy, incubation, capacity enhancement and product R&D access/process improvements, in order to stimulate growth and productivity, improve industry resilience, and enable innovation.

Solent LEP strategic priorities:

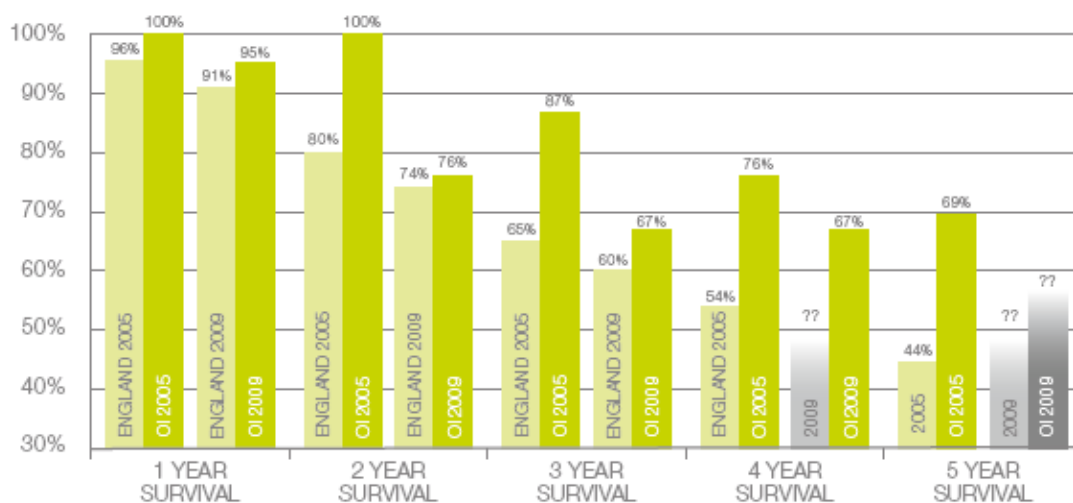
- *Support new businesses, enterprise and ensuring SME survival and growth*
- *Develop strategic sectors and clusters (interconnected groups and businesses) of marine, aerospace and defence, advanced manufacturing, engineering, transport and logistics businesses, low carbon, **digital and creative**, and the visitor economy – establishing the area as a business gateway, at both local and international levels and developing local supply chains.*
- *Build on our substantial knowledge assets to support innovation and build innovative capacity in the Solent area to stimulate growth in Solent businesses and in new high growth sectors, particularly linked to our HE excellence.*

This project will support Solent LEP's growth targets, improve the business survival rate, increase collaboration with industry, and commercialise research.

The DCIC will:

- Create an additional 504 net/840 gross jobs over 10 years
- Deliver an estimated £20,290,469 GVA on new jobs created over 10 years
- Deliver additionality GVA of approx. £17,001,740 over 10 years
- Provide flexible space and business support for approx. 112 companies
- Achieve a hurdle rate of 4.51 Direct and 8.29 Direct + Indirect

Evidence from Oxford Innovation, the UK's leading operator of innovation centres, shows that growth rates for businesses nurtured within (one of their) centres improve their survivability – over 5 years 25% higher than those of the national average.



The DCIC will be situated over three floors in SSU's SJM building in Southampton's Guildhall Square (see Appendix).

The ground floor will have a public face onto Guildhall Square with an interconnected café, exhibition space, pop up shop, and social learning space, all accessible to the public and hosting a wide range of dynamic, community-engaged creative and cultural activities. In addition, there will be membership-based co-working space with flexible working arrangements, bookable meeting rooms, office space and flexible events space.

SSU's School of Business, Law and Communications will be located on the first floor with dedicated incubator space for students, graduates and start-ups. This will facilitate a fluid interaction between staff and students of the School of Business, Law and Communications and DCIC occupants. The focus will be on developing new high growth businesses to meet market demand by: identifying market gaps with industry partners; recruiting talent to meet the market gaps; pivoting to the market; and developing the businesses.

The top floor will provide dedicated workspace for DCIC occupants.

The SJM building is a robust concrete frame construction allowing flexibility to redefine the layouts to accommodate the proposals for the DCIC. It is faced externally in Portland stone, which is complementary to the architecture of Guildhall Square and the Cultural Quarter. The proposal is to retain the external appearance and to modernise by cleaning the stonework and replacing the existing windows and cladding to update and lift the building to establish a significant presence. Roof lights will be introduced and spaces constructed from glazed partitions where possible to maximise daylight within the building.

Key advantages of the DCIC building include: flexibility, fluid spaces, shared use, collaboration, location in the heart of the cultural quarter, high street presence with 'shop window' frontage, café space, exhibition space, shop, good access, hot desks, meeting rooms, seminar spaces, resident work areas, good natural light, and modern industrial style aesthetic. The DCIC benefits from repurposing an existing asset, thus giving greater certainty regarding both planning permission and refurbishment timelines.

The creative industries contributed £87.4bn in Gross Value Added (GVA) in 2015, 5.3% of the UK economy (comparable to the construction or information sectors) and between 2010 and 2015 grew by 34% - faster than any other sector. They have also outperformed other sectors in terms of employment growth: between 2011 and 2016, employment in the sector increased by 25.4% compared to 7.6% average across the wider UK. The sector is also a net exporter of services (£11.3bn surplus in 2015). Based on current trends, the creative industries could deliver close to £130bn GVA by 2025 and approximately one million new jobs could be created by 2030.

A high growth sector, the Bazalgette Review (2017) forecasts that the GVA added by the creative industries will be a 3.9% year on year increase, a higher than average growth rate.

The creative industries are projected to grow as a proportion of the economy in decades to come. As part of a broader UK government initiative, the creative industries were selected among the top 5 industries to drive economic growth in the UK.

In addition to driving economic growth directly, the creative industries make indirect contributions to the economy by supplying other sectors with creative production inputs. The creative economy is not only one of the most rapidly growing sectors of the world economy, but also a highly

transformative one in terms of income generation, job creation and export earnings. (UN Report on Creative Economy 2013)

Recent research by Nesta (2016) has identified Southampton as a geographic hotspot for the creative industries and gaining importance as a creative conurbation (Creative England). Southampton ranks 9th in the UK by increase in creative industries importance for employment (2007-2014) and demonstrates high concentration and growth as a creative cluster. It accounts for 6% of total creative GVA in the UK.

However, to date, digital and creative employment has been scattered in the Solent region and the multiplier benefits of a central hub for the cluster have not been realized.

The local supply chain for the creative industries is dispersed and the lack of a high profile hub for the cluster limits the visibility and networking of creative and digital businesses, which could also enhance the supply chain of the wider economy. The value that the creative-tech sector brings is not only to the creative industries but also as enablers to the wider economy (Bazalgette Review 2017). The importance of developing a local value and supply chain is evidenced by the fact that 85% of digital tech businesses rely on local support systems (Tech Nation 2017).

There is significant crossover in activity between creative and digital industries, e.g. software development, so the industries have important linkages and synergies (PACEC 2016).

The shape of digital tech investment in the UK is changing. Last year two-thirds of such investment was recorded outside of London. This testifies to a diversifying investment landscape, which can provide a boost to regional economies and drive productivity. The Solent region is ideally placed to benefit from this.

Co-working spaces play a vital role in successful digital and creative ecosystems, especially for start-ups. The establishment of a digital and creative innovation centre in Southampton will enable cross-fertilization between creative and STEM skills. There is evidence that fused companies, i.e. those that bring together creative and STEM skills, are more productive and have higher growth rates (Nesta 2016). Official data suggests that (in 2014) 27.3% of creative workers fell into this category yet produced 43.5% of creative industries GVA (CIC 2017). The Brighton Fuse report observed that fused businesses grew faster than their non-fused equivalents (18% versus 7% growth) and were more likely to innovate (32% versus 13%).

Clustering can accelerate this process by co-locating creative and technical talent. Nesta research indicates that the fusion and co-location that characterise creative clusters can also have spill over benefits for the wider economy through the knowledge, products and networks they generate.

A creative cluster is a geographic concentration of creative businesses and workers, often linked to similar value chains that collaborate and compete with each other (Nesta). Clusters include other institutions linked to the value chain such as higher education institutions, cultural institutions, trade associations and government bodies which support the cluster.

The advantages of developing a digital and creative hub and cluster in Southampton include:

- Improved productivity: this can be through the agglomeration of creative businesses (empirical estimates imply that doubling the density of businesses in an area increases productivity by around 2-4%), and larger rewards from growing micro-enterprises into small enterprises, through better commercial practices.

- A stimulus to regional growth especially if the cluster brings more diverse creative talent to the sector or expands to deprived areas
- An opportunity to tailor the talent pipeline for the local area, by forging stronger links between education providers and local industry
- Leveraging existing assets and building on existing strengths and activities to drive growth

In addition to these benefits of a cluster-led approach, there is evidence that the creative industries contribute unique benefits associated with the fusion of skills they foster alongside economic and social spill overs. The DCIC will enable a bridge from the digital and creative industries to the wider economy.

Creative industries require a robust talent pipeline, incentives to develop/retain IP and a commercial ecosystem. Creative clusters rely on creative talent, often highly skilled and supplied by universities. Universities are widely acknowledged as central players in the local ecosystems that drive the success of creative clusters. Research at universities creates a knowledge base that R & D intensive creative businesses can draw on. Universities also undertake knowledge exchange activities, which transform the knowledge into impact, through entrepreneurship, training and dissemination activities.

The DCIC will provide IP support, access to finance, business advice, links into wider networks, support for proof of concept, mentoring, legal and marketing support and connect with bespoke facilities such as Solent Creatives, SSU's well-regarded creative agency.

The location of the DCIC in the cultural quarter will allow for increased interaction between the DCIC and its occupants, the University, and the wider community. The café and exhibition space on the ground floor will bring the public into the DCIC and allow for engagement activities which will raise awareness of the businesses, develop a community of practice, and encourage the development of a talent pipeline. The high visibility of the DCIC and its embeddedness in the community will be both a draw for the digital and creative cluster as well as a benefit to the region.

The Culture White Paper (2016) recognises the value of cultural capital as an export product, and as a key magnet for tourism and inward investment. Innovation, exploitation and experimentation within the experience economy, such as AR/VR/MR/immersive media and emergent media technologies, is hindered by a lack of access to finance, a lack of established partnership and knowledge exchange mechanisms between digital and cultural creative sectors and research institutions, and capacity constraints within creative organisations for focussed R&D activity.

The importance of establishing a digital and creative hub and cluster in the Solent region cannot be overemphasised. Whilst optimism is high, currently only between a quarter and a third of those working in Southampton are optimistic about the current the growth of their cluster. The DCIC will allow the latent potential of the digital and creative sector in the region to be realised and will ensure that the enabling and bridging capabilities of digital and creative are delivered.

Future growth in the creative industries will be reliant on the sector's ability to extend the utilisation of its products and services into new and currently under-developed growth areas, ensuring their products are relevant to a wider economy, future proofed, and able to benefit from the application possibilities from outside of the sector: to develop and deliver a Creative Bridge.

SSU is already a major contributor to the local economy, directly employing around 1,300 full time equivalent staff, with a turnover of almost £120m. The direct GVA contribution of the University is just under £78m.

SSU has a proven track record of delivering economic benefit to the Solent region and will continue to do so with the DCIC.

In 2015/16, SSU generated £561.3 m GVA and supported around 6700 jobs across the UK, including £287.9m GVA and around 4,700 jobs in the Solent area. For each £1 that SSU generated as a direct result of their operations (£77.6 m GVA), SSU supported £7.23 in total benefits throughout the UK economy of which £3.71 was retained within the Solent region, and for each person directly employed, SSU supported five jobs throughout the UK, including almost four in the Solent region.

In addition, the establishment of the DCIC supports the recommendations of the Solent LEP Innovation Strategy Evidence Base commissioned from PACEC; the 'Innovation South' Science and Innovation Audit (SIA); and the government's Industrial Strategy green paper.

The Solent LEP Innovation Strategy Evidence Base commissioned from PACEC confirmed the importance of digital and the creative industries in the region, noting that Solent ranks 8th of all LEP areas in the digital and creative industries sectors and that the highest growth in jobs as well as the strongest percentage growth in the Solent region is likely to come from the creative and digital industries.

From 2015 to 2020, creative industries in the Solent LEP area are projected to increase by 5%, the highest of all of Solent's core sectors. The digital economy in the Solent has one of the highest location quotients in the UK. In the Solent region, from 2009 to 2014, employment and growth in the creative industries grew by 17% and digital and computing grew by 6%.

The report also noted: the opportunity to further nucleate clusters within the Solent region, taking advantage of the fact that existing business support facilities are close to capacity; the importance of any new infrastructure being near the heart of either Southampton or Portsmouth; and the importance of both thematic clusters and the building of cross-sectoral networks and synergies across sectors. The DCIC responds to and supports all of these recommendations.

The Innovation South SIA recommends developing and coordinating a network of innovation hot spots for SMEs, larger businesses and other resources; and, facilitating the development of sector clusters and networks that bring together SMEs, large companies, universities and research organisations, facilitating the interchange of ideas and expertise building supply and value chain ecosystems.

To this end, SSU will work with other partners including SETsquared and the ICURe (Innovation and Commercialisation of University Research) programme to bring the market validation capabilities of the programme to be oriented toward start up and existing SMEs through the DCIC. This will enable small companies to determine the commercial potential of their technologies and business ideas at an early stage by gaining feedback from potential customers, reducing their overall cost and substantially increasing their potential for success in the marketplace.

Digital exploitation, digital skills and the commercialisation of digital IP sit at the heart of the UK Industrial Strategy Green Paper (2017). The UK Industrial Strategy Green Paper indicates that much of the UK's current and future prosperity depends on our ability to exploit and commercialise new digital technology whilst improving digital skills across the UK.

Creating a DCIC in SSU's SJM building in Southampton's Guildhall Square will achieve the following objectives:

- Establish a dedicated space for providing a central hub for a digital and creative cluster of innovative new businesses in Southampton's Cultural Quarter
- Contribute to making the Solent region 'sticky' for its creative and digital graduates
- Provide co-working and office space for innovative start ups
- Provide a platform for cross-sectoral working
- Stimulate R&D activity that bridges the digital creative sector and other industry sectors (e.g. Digital Economy, E-health, Marine Technology) to develop new products and IP through techniques, knowledge and skills born out of the digital and creative industries.
- Provide tailored and targeted business support
- Enable collaboration, networking and sharing of resources
- Develop supply chains
- Host relevant workshops, seminars and community-engagement activities
- Establish links with the research and knowledge centres
- Unlock innovation-led growth
- Engage businesses with the knowledge base
- Provide access to expertise
- Provide effective support to start-ups and SMEs to enable them to grow
- Support the wider economy by building a bridge from the digital and creative industries
- Support new businesses and improve SME survival and growth
- Develop a strategic sector and cluster
- Develop local supply chains
- Provide opportunities for work placements, live briefs, internships and apprenticeships
- Support Solent LEP's growth targets
- Increase collaboration with industry
- Commercialise research
- Contribute to wider social and cultural benefits
- Contribute to developing a vibrant culture in Southampton's Cultural Quarter

Due to the total package of targeted support and community engagement, the DCIC will be more expensive to operate than ordinary, managed office space. The DCIC is only viable with support from the LEP. This is why SSU is applying for funding under the Innovation Fund in order to bridge the gap, make this significant project viable, and deliver the intended benefits to the Solent region.

The urgent requirement for a digital and creative innovation centre in the Solent region is clear.

In summary, supporting SSU in redeveloping space within the SJM Building, which is at the heart of Southampton's Cultural Quarter, to develop a DCIC, provides the Solent LEP with:

- a unique opportunity to cement and build upon the region's recognised objective to support creative and digital enabled economic development in Southampton and the wider Solent region
- a sustainable economic return on an existing physical asset, which is underpinned by SSU's own investment in this project
- a strategic place in shaping the future creative and cultural offer of the city and wider Solent region
- a figurehead role in leading the development of a community of dynamic innovators and entrepreneurs that will make Southampton their home.

APPENDIX - 1

Proposed scheme drawings & Images

DCICLP01 – Location Plan
Internal CGI's
External Sketches



Sir James Matthews Building - Location of proposed Innovation Centre



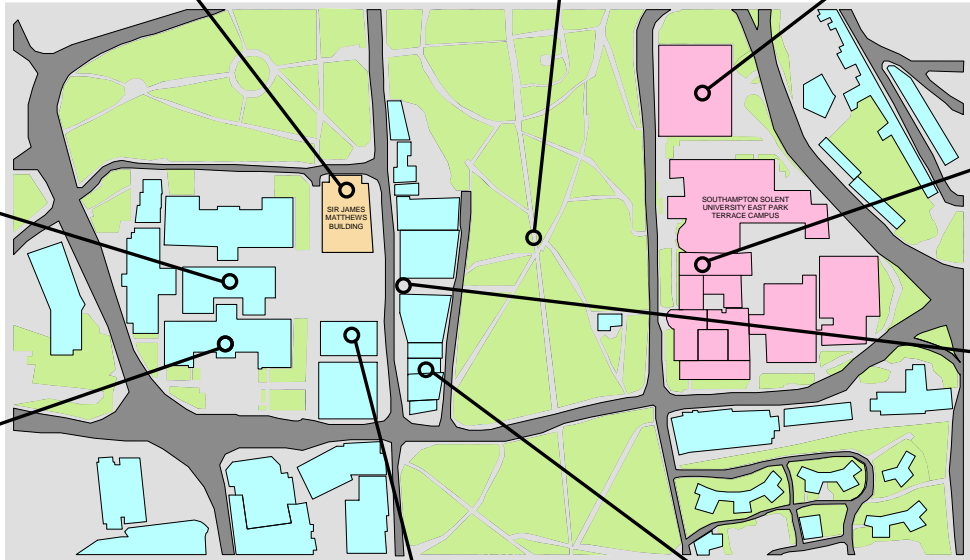
The Parks



Location for Solent's new Sports Building



Southampton Guildhall



Solent University - East Park Terrace Campus



Studio 144 & the John Hansard Gallery



Civic Centre

1 Location Plan
1 : 200



City Gateway building, University of Southampton facilities,
Turtle Bay & Memento cafe bars



Various bars, Salons & shops on Above bar street

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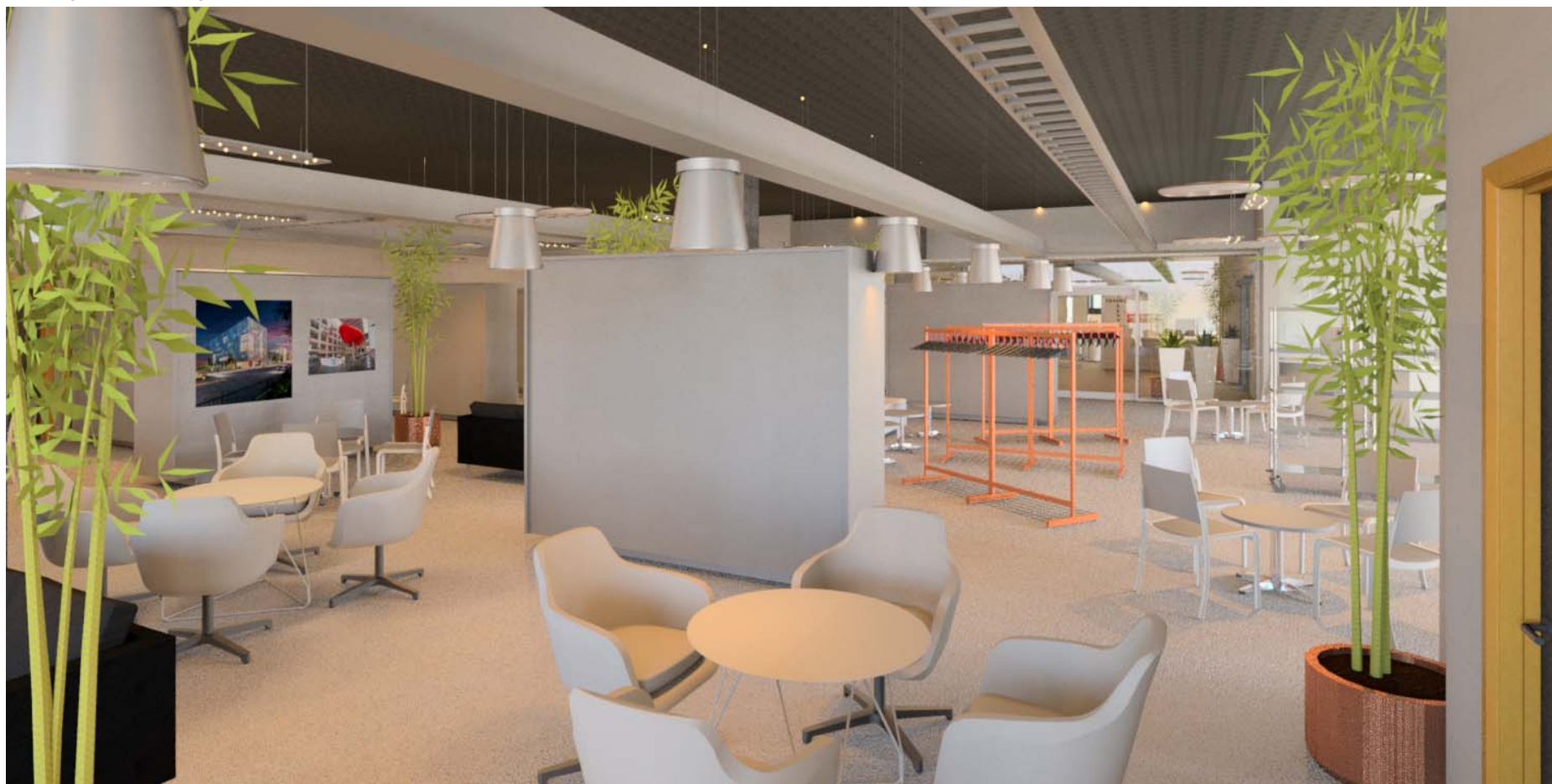
Project:
**Digital & Creative Innovaiton
Centre**
Sir James Matthews Building
Drawing Title:
Location Plan

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| Drawn by: JS | Scale: 1 : 200 |
| Checked: JS | Date : 24/10/17 |
| Project No: | Drawing No : JS Revision: |
| Project Number | DCICLP01 |

CAFÉ/GALLERY/SHOP SPACE – VIEWED FROM GUILDHALL SQUARE ENTRANCE 1



CAFÉ/GALLERY/SHOP SPACE – VIEW FROM GUILDHALL SQUARE ENTRANCE 2



CAFÉ/GALLERY/SHOP SPACE – VIEW FROM SJM MAIN ENTRANCE



CAFÉ/GALLERY/SHOP SPACE – INTERNAL VIEW FROM ABOVE BAR STREET



CAFÉ/GALLERY/SHOP SPACE – INTERNAL VIEW OF INNOVATION CENTRE & STUDENT ENTRANCE



GROUND FLOOR – INNOVATION CENTRE OPEN PLAN WORKSPACE



GROUND FLOOR – INNOVATION CENTRE OPEN PLAN WORKSPACE



SECOND FLOOR – INNOVATION CENTRE OFFICE SPACES



SECOND FLOOR – INNOVATION CENTRE BREAKOUT & OFFICE SPACES







APPENDIX - 2

Outstanding University Entrepreneurship Award

Outstanding University Entrepreneurship Award

Southampton Solent University (SSU) is one of 6 universities shortlisted for the Outstanding University Entrepreneurship Award. (The winner will be announced on 30 November 2017.)

<http://www.the-awards.co.uk/2017/en/page/shortlisted-page-2017>

SSU is dedicated to the pursuit of excellent university education that enables learners from all backgrounds to become enterprising citizens. The University uses its expertise in innovation and enterprise to increase the percentage of graduates not only in professional or managerial employment but also freelance activities and business start-ups. The University's strategy states its commitment to research-informed teaching and innovation based on new knowledge and enterprise.

Southampton Solent University has developed two pathways for students: one for those who seek employment, and another for those who plan to set up their own business or to work as freelancers. Enterprise has been embedded into all relevant courses and students are encouraged to undertake freelance work or set up their own business whilst at university to better equip themselves for their future. This can be undertaken both within the curriculum and as an extracurricular activity.

Enterprise initiatives include:

Entrepreneur work placements: In 2015-16 the Computer Games team set up an alternative to a traditional work placement sandwich year, which allowed students to set up their own businesses. As a result, four companies have been set up this year by students:

- Scruffalots – four students – commercial game nearing completion. Positive reviews at GameFest. They have also quoted for commercial projects.
- Delta Dawn – three person team (and employing an art student PT) – two games nearing commercial exploitation. Positive reviews at GameFest.
- Lifestyle Compass Ltd – two person team - completed an app, which is already being marketed.

Solent Creatives empowers the University's talented creative students and gives them the chance to work on freelance projects for local, national and international businesses. Solent Creatives has been embedded into the curriculum through an option called 'Freelancing @ Solent Creatives'. In the last academic year, 215 students have taken this option, working on freelance projects as part of their course (and often being paid for it). Students also work on freelance projects outside of the curriculum and in total, 511 students worked on over 400 different projects in 2015-16.

Start-up Programme: To support work within the curriculum, Solent Futures (SSU's student employability and enterprise service) offers a programme of workshops, training days and funding to support student and graduate business start-ups. In 2015-16, they held five funding panels and awarded over £52,000 to 39 different projects. In addition, they delivered 85 intensive enterprise surgeries as well as 21 workshops and 6 boot camps.

As a result of the focus on enterprise, the University rose from 24th to 9th in the league table for the number of graduate start-ups in the 2016 HE-BCI Survey (Higher Education Business and Community Interaction Survey).