**REPORT**

**Joint Committee 27th March Agenda Item [ENTER AGENDA ITEM NUMBER]**

**Stirling Digital Hub**

## **Executive summary**

The purpose of this paper is to present for review and approval, the Stirling Digital Hub Business Justification Case (BJC).

The BJC seeks approval for up to £2 million of City Region Deal (CRD) funding to develop the Stirling Digital hub. The hub builds on the local successes in the digital sector, enabling the further growth of local digital companies and attracting inward investment opportunities.

The BJC presents the Strategic, Economic, Commercial, Financial and Management cases for the hub. This has been reviewed by Scottish Government who have a provided a letter of comfort that this will be approved when tenders are returned and final costs are known. The letter is attached as appendix 2.

Approval of this Business Case by Joint Committee will be followed by a report to the Stirling Finance, Economy and Corporate Services Committee for approval to procure the works. It is expected works will be completed by the end of the year.

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Recommendations

Joint Committee is asked to:

1. Approve the Stirling Digital Hub Business Justification Case.

Legal & Risk Implications and Mitigation

There is a risk to the Council that there is limited supplier interest in carrying out the proposed works, or that the contractor may be unable to deliver in accordance with the required timescales and budget. This risk will be mitigated through early market engagement, the use of pre-existing frameworks to shorten procurement timescales and contract conditions to ensure timeous completion of the works.

There is also a risk that Stirling Digital Hub fails to attract tenants after the construction is completed. This has been mitigated through engagement with potential tenants.

Background

The Stirling and Clackmannanshire City Region Deal document, signed in 2020, provisionally allocated £2 million to establish a new digital hub in Stirling, building on recent local successes in the digital sector and enabling further growth of local digital companies.

In 2017, CodeBase began operating Stirling’s first Digital Hub from the Municipal Buildings in the city centre. This initiative has been very successful, driving the development of the region’s wider Digital District, including the expansion of Regional Digital Hubs and the creation of the Stirling Digital Hub.

The Stirling Digital Hub aims to provide new space for businesses that have outgrown the incubator space at Codebase, preventing their potential relocation from Stirling and potentially Scotland. Additionally, without such a space, Stirling risks losing out on inward investment opportunities.

In 2020 Stirling Council commissioned EKOS to produce an Office Accommodation Report to inform future decision making on expanding office provision in Stirling. This was refreshed in 2023 to take the impact of the pandemic into account.

This report (2023) found that overall, demand for office space in Scotland is lower than it was pre pandemic. This is due to the rise in homeworking in the main. However, there remains a case for investment in Stirling’s office accommodation. There has been a lack of investment in new office space in Stirling over the last 15 years and therefore much of Stirling’s office stock is old and not suitable for modern digital technology business’s needs

The report also found that whilst overall demand for office space has fallen post pandemic, existing demand is interested in high-quality office space. Employers who want to attract workers are keen to have high-quality office facilities and amenities. This has led to rising vacancy rates amongst older, lower quality office space, whilst demand is stronger for new modern office space.

It is within this commercial property context that Stirling Digital Hub is being developed. It seeks to address the needs of the sector in growing a local highly skilled digital technology workforce, whilst also unlocking the demand for modern commercial property space.

The objectives of the hub are:

* To ensure growing businesses have access to good quality digitally enabled flexible space in Stirling. *100 Full Time Equivalent roles will be based at the hub within 12 months of opening*
* To provide supportive and collaborative business environments that enable sustainable tech businesses to succeed in growing, and attract investment to Stirling. *The hub will be open in January 2026 and sustain 80% occupancy*
* To contribute to inclusive growth by optimising contributions to skills and inclusion through business support. *Strong skills pathways will be developed to ensure that our most excluded communities can access a streamlined journey and inclusion support to realise their potential.*

Considerations

An options appraisal was conducted to assess suitable premises and locations in Stirling for the new digital hub. Options were scored against spending objectives and Critical Success Factors. The findings are presented in the Economic Case. The top-scoring option and preferred way forward is the refurbishment of an existing office block at the newly acquired ex-MOD site at Forthside.

The Forthside area is currently being redeveloped and will host Stirling Studios, a significant new development expected to unlock substantial investment, job opportunities, and a range of economic and social benefits. The Digital Hub on this site is particularly attractive to digital businesses within the creative sector, with several companies already expressing interest in the space.

Designs for the building have been informed by businesses in the sector and are presented in the Economic Case. The designs include:

* Full refurbishment – a mixture of open plan workspaces, break out areas, flexible meeting spaces and small private rooms supported by upgraded WCs, server rooms and plant space.
* Improved accessibility throughout with installation of a lift, addition of ramps at all external doors for safe entrance and escape and improved accessible sanitary facilities.
* Thermal upgrades to improve energy efficiency including replacement of all windows and upgrades to the roof.
* Replacement of all building services to meet current standards, including a more sustainable heating source.
* External improvements including a dedicated car park with electric vehicle charging stations.

The project has been costed and is deliverable within the funding limits, as shown in the Financial Case.  This includes the design and development fees also. The £2 million funding in in the Implementation Plan spend profile of all being spent by March 2026. The project is on track to deliver within this timescale.

To meet current commercial demand and align with the Stirling Studios project, the project must progress swiftly. Stirling Council has appointed a multidisciplinary contractor for full design, project and cost management.  On approval of the Business Justification Case, the current Consultant’s scope will be widened to manage the project through delivery. A works contractor will be procured through Stirling Council procurement processes.

A Client Manager from Stirling Council will oversee progress, and this will be reported through established City Region Deal processes and committees. Works are due to start on the hub in May 2025 and be completed before the end of the year.

Resource Implications

**Financial Details**

The full financial implications of the recommendations are set out in the report.
This includes a reference to full life cycle costs where appropriate. Yes

Finance Officers have been consulted and have agreed the financial implications
as set out in the report. With Finance for review

**Staffing**

The full implications on staffing are set out in the report. Yes

**Exempt Reports**

Is this report exempt? No

**Equalities Impact**

Have you undertaken the required equalities impact assessment to ensure that
no groups are adversely affected by the recommendations? Yes

**Legality**

It has been confirmed that in adopting the recommendations contained in this report,
the Joint Committee is acting within its legal powers. With Legal for review

**Sustainability and Environmental**

It has been confirmed that sustainability and environmental issues have been
considered within the report. Yes

Policy Implications

[LIST DETAIL OR NONE]

Consultations

Forthside Masterplan and Design consultation

Appendices

Please list any appendices attached to this report. If there are no appendices, please state "none".

1. Appendix 1 – Stirling Business Justification Case
2. Appendix 2 – Government letter

Approved by:

[ENTER NAME], [ENTER DATE]