

Agenda Item No: 9 **Report No:** 123/14

Report Title: Thebes Annexe – Response to Petition

Report To: Scrutiny Committee **Date:**

Cabinet Member: Cllr Andy Smith

Ward(s) Affected: Lewes Priory

Report By: Alan Osborne, Director of Corporate Services

Contact Officer(s)-

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Purpose of Report:

To respond to the petition presented to the Council on 17th July 2014 to re-open Thebes Annexe as an art gallery.

Officers Recommendation(s):

- 1 To note the petition and the contents of this report.
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Reasons for Recommendations

- 1 Thebes Annexe was used between 1997 and 2008 as a low-cost gallery for local artists. From 2008, the building was used as office accommodation for the Council. From the outset of the Nexus change programme, a key aim of the administration was to reduce overheads by maximising the use of office accommodation and to promote asset-led regeneration in line with the Property Strategy.

Information

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- 2.1 On 17th July 2014, Council was presented with a 763 signature petition by Cllr Ruth O’Keeffe stating:

Thebes Gallery, situated in outbuildings behind Lewes House off Lewes High Street, was created in 2000 and then closed again in 2008 to be used for office accommodation. Now that this need for office accommodation has ceased, we call upon Lewes District Council to re-open Thebes as a small gallery.

- 2.2** Both Lewes House and Thebes Annexe have a rich and complex cultural heritage. Just one of the notable previous owners was Edward Perry Warren in the early 1900s, who was an intuitive and discerning patron and collector of art and antiquities. His extensive circle of friends included members of the Bloomsbury group, such as the artist Roger Fry, who painted a watercolour of the house and garden in 1908 (now on display in the house) and the French sculptor Auguste Rodin. Warren commissioned the now-famous Rodin sculpture “Le Baiser” (The Kiss), which was completed in 1906 and brought to Lewes where, because of its size and weight, it was placed in the coach house (Thebes Annexe).
- 2.3** Thebes Annexe was used as office accommodation for the District Council and its predecessors for many years. Until 1997, Thebes Annexe accommodated most of the Environmental Health department. When the Council purchased Southover House, the Council transferred many items into storage at the Town Hall, leaving some space on the ground floor of Thebes Annexe.
- 2.4** With the support of an Arts Council grant, the Council made some alterations to accommodate an exhibition for the Railway Land Project. When that exhibition ended, the Council allowed the use of the space for art exhibitions to continue on an informal basis until 2008, when the space was required once again for office accommodation after the sale of 3a Fisher Street.
- 2.5** During its time as a gallery, Thebes provided low cost gallery space for artists. In the last full year of operation (2006-2007), hire income was £3,325 plus an extra £330 for use of the Council’s credit card machine and database mail-outs. There were 17 exhibitions and the exhibitors recorded 10,022 visitors. Artists hired Thebes at a rate of £175 per week for up to 65m² of gallery space. The linear metreage for hanging space is not available.
- 2.6** The rates were set prior to the Council adopting an open market rent policy which was approved by Cabinet on 16th July 2008. An open market rent of Thebes Annexe today equates to around £20,000 as office accommodation. Gallery space is usually considered to be retail space and given the proximity to the High Street, may command a higher square footage rate and would need to be separately valued. Use as a gallery could also have implications for the rateable value of the building and the business rates payable.
- 2.7** The users who booked Thebes were responsible for their own staffing and commercial arrangements. The Council paid for security, utilities and business rates. There was a Cultural Services team who co-ordinated exhibition programmes for the Thebes and the Crypt galleries. There is no current equivalent team or capacity within existing Council staff.
- 2.8** Since the Council consolidated its public facing functions in Lewes to Southover House, officers have been trialling ways to generate revenue at Lewes House. Two rooms within Lewes House have been fitted with panels to host exhibitions offering 69 sqm of circulation space and a total

of 33 linear metres of hanging space. The space available is comparable to the previous gallery at Thebes. Lewes House is also available for weddings, functions and meetings.

- 2.9** There have been two exhibitions held in the last year which have been very successful. The Council supported the Eric Slater exhibition in December 2013 which drew in excess of 3,800 visitors over a three week period. The Artemis Art exhibition of paintings by Stanley Simmonds in May 2014 drew a further 1,652 people. By donating the gallery space to Artemis Art and using a % of sale proceeds funding model, the Council received income of £3,165.
- 2.10** When compared to the full year 2006/2007 visitor numbers and revenue received for Thebes Annexe, allowing for inflation and other factors, the initial results for the exhibitions at Lewes House suggest that Lewes House offers more in the way of footfall for the exhibitor and revenue potential for the Council.
- 2.11** Revenue from venue and exhibition hire so far in 2014/2015 has closed the gap to enable Lewes House to become cost neutral. Officers are still considering what the right mix of events and functions should be and with a little more experimentation, it is entirely possible that Lewes House could in fact become an additional source of revenue. A list of hire charges is shown at Appendix A.
- 2.12** The upper floors of Lewes House have been successfully let on a short term basis to small businesses on short-term excluded leases due to end in July 2016 (with a break clause from January/February 2016). The rental income from the tenants covers 71% of the direct running costs of Lewes House (excluding the garden).
- 2.13** The Council has been, and continues to be, supportive of exhibitions within the district, even without the availability of Thebes as gallery space. With the support of the District Council, ArtWave has become a very successful cultural activity and, as mentioned in paragraphs 2.8 and 2.9, there is existing gallery/exhibition space at Lewes House.
- 2.14** The property next door, School Hill House, is also leased and the lease ends in January 2016. The current tenants have indicated that they would like to move to purpose built accommodation at the North Street development, but the development timescales have slipped and it is unlikely that the accommodation will be ready for January 2016.
- Should the tenants of School Hill House need to remain in situ for a short period of time, it is proposed that all leases on Lewes House and Thebes Annex are renewed to run co-terminus with each other to give the Council maximum flexibility over the future options for the properties.
- 2.15** Lewes House was marketed by Oakleys as a result of proposals discussed at Nexus around the Council's aspirations to ensure a sustainable future for Lewes House. Oakleys also advised on the letting of Thebes Annexe, suggesting that it might be possible to achieve a

rental income of £20,000 per annum for the whole building or £20 per sq ft for 2-3 smaller units.

- 2.16** The Council has been approached by an organisation that wishes to lease Thebes Annexe for a period of up to two years and if it is possible to successfully negotiate the terms of a lease, would mean additional income for the Council. Issuing a lease at Thebes for a 2 year period would enable Cllr O’Keeffe to explore avenues of external funding for a gallery space and for there to have been a thorough evaluation of the exhibition space project at Lewes House to give some context to the estimated visitor numbers.
- 2.17** The current security, utilities, business rates and maintenance costs of the Lewes House complex are within the Contracts & Facilities budget. Any proposals for the future use of Thebes Annexe should consider how to reduce or negate costs to the Council, given the financial challenges of the reducing revenue support grant.

Financial Appraisal

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- 3.1** The budgeted costs for Lewes House and Thebes Annexe in 2014/2015, together with the latest projections of income to the year end including the proposals elsewhere on this agenda, are shown in the table below. The costs relate only to the running of the house and not the Garden.

Line	Costs	Lewes House	Thebes Annexe	Total
		£	£	£
1	Repairs and maintenance	6,370	2,560	8,930
2	Energy and water	10,830	4,460	15,290
3	Business rates	23,080	11,730	34,810
4	Cleaning	7,020	0	7,020
5	Miscellaneous	13,170	5,930	19,100
6	Departmental costs	8,240	1,120	9,360
7	Expenditure sub-total	68,710	25,800	94,510
8	Income – Hirings	(9,000)	0	(9,000)
9	Income – Tenants	(39,130)	0	(39,130)
10	Net cost	20,580	25,800	46,380

- 3.2** The first commercial tenants moved into Lewes House in July 2014, and the income shown in the table above is for a part-year only. Based on the current lettings, income from short-term commercial tenants in a full year

is estimated to be £55,000, which is 80% of the running cost of Lewes House, excluding Thebes Annexe and the garden. This income stream had not been anticipated when setting the 2014/2015 budget and effectively reduces the level of support for the cost of office rationalisation provided from the Change Management and Spending Power Reserve.

- 3.3** As the short-term commercial tenants cover 71% of the direct running costs of Lewes House, there is more flexibility for the Council to consider alternative revenue models in relation to exhibitions. For example, the Council may wish to adopt a % of sale proceeds funding model for all exhibitions.
- 3.4** Interest in venue hire at Lewes House is also increasing, enabling the building to become cost neutral. Thebes Annexe costs are not subsidised in the same way and prospective tenants/artists would be expected to pay the open market commercial rent for the space in line with Council policy.

Legal Implications

The Legal Services Department has made the following comments:

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- 4.1** Any lease for a two year period should be excluded from the Landlord and Tenant Act 1954 protection provisions. This will ensure that there is no automatic right for the lessee to renew their lease at the end of the 2 year term.
- 4.2** If a proposal to lease the building for a temporary period of short duration only (2 years) is agreed then there is no statutory requirement on the Council to secure “best consideration” in terms of the amount of rental income. However, the Council still retains its fiduciary duty to its taxpayers so will need to weigh the rental income which is to be achieved against other benefits (economic, social, environmental) which might be achieved as a consequence of the letting.

Sustainability Implications

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I have completed the Sustainability Implications Questionnaire and there are no significant effects as a result of these recommendations.

Risk Management Implications

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- 6.1** If the Council adopts a % of sale proceeds model for all exhibitions, there is a risk that some exhibitions will not produce a revenue stream. To mitigate this risk, it will be important to host 2-3 large exhibitions of important artists each year, in the same vein as Slater or Simmonds.
- 6.2** It is important to recognise the difference between turning Thebes Annexe into a gallery and renting gallery space in Lewes House. If Thebes is turned into a gallery to be let to artists, Council policy set in July 2008 dictates that an open market rent should apply. Hiring space within Lewes House is not subject to the same policy as the existing tenants cross-subsidise the events on the ground floor. Changing the lease policy may have implications for other Council leased properties.

Equality Screening

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- 7.1** Thebes Annexe is not a fully accessible building. Lewes House is also challenging, but there is wheelchair access from the rear of the building which can be utilised.

Background Papers

- 8** None

Appendices

- 9** Appendix A – Venue Hire Charges at Lewes House