

Report to: Cabinet

Date: 23 October 2019

Title: Exploring Opportunities to Develop a Micro-Brewery & Supply Chain Partnership

Report of: Ian Fitzpatrick, Deputy Chief Executive and Director of Regeneration & Planning

Cabinet member: Councillor Colin Swansborough, Cabinet member for place services and special projects

Ward(s): All

Purpose of report: This report sets out options the Council could consider to establish a micro-brewery and develop efficiency in supply chains through local partnerships with the community and businesses.

Decision type: Non-Key Decision

Officer recommendation(s):

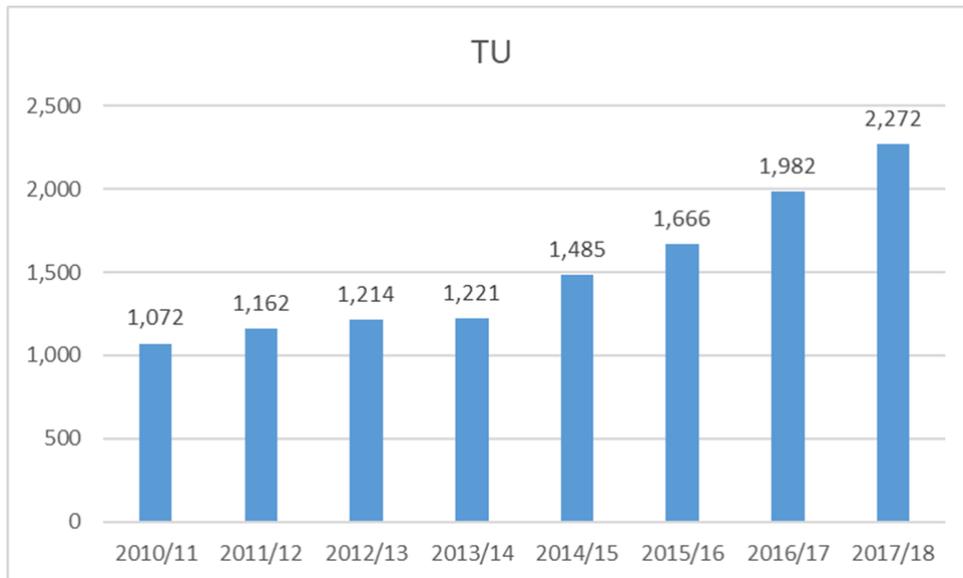
- (1) For Cabinet to agree to engage with interested parties in the development of a micro-brewery and supply chain partnership and to undertake a Soft Market Testing process.
- (2) For Cabinet to agree to development of an working group with experts from across the fields of brewing, service delivery, property, agriculture and the business and community to be engaged in process.
- (3) For Cabinet to agree to a £5K enabling fund which will be utilised to commission expert brewing support and development of the project with Project Management support.

Reasons for recommendations: To set out a framework where the community have the opportunity to engage in the process of developing a micro-brewery for the town whilst also provide enabling funding to fully explore the opportunity further.

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1 Background

1.1 The Council have for some time wanted to explore the development of a micro-brewery. Given the 'purchasing power' of the authority with a good number of licenced premises, the development of their own supply chain could make good commercial sense. The market for specialist beers has been growing for some years and the Council see an opportunity to explore how they may profit being engaged. The graph below shows the 20% increase in registered trademarks in the craft beer industry.



<https://www.thedrinksbusiness.com/2018/10/this-chart-shows-how-the-uks-beer-market-has-changed-in-eight-years/>

1.2 In addition the Council recognises that to achieve the best outcome from the exploration of a micro-brewery it should consider doing so in partnership with other experts and community members. There are a number of highly successful brewery and distilling entities in and around the town and the Council would benefit from their expertise and existing position in the market.

1.3 The Council also see possibilities for collaborating with other licensees / owners of licenced premises who may want to join a partnership where higher economies of scale can be achieved in terms of purchasing could improve the financial viability. However this option is very much subject to further due diligence on the commercial and legal aspects of any such approach.

1.4 To move forward the Council would like to explore options. This report seeks to set out the first stage of the development of this project whilst providing scope to those who may become engaged in the process to be flexible as to its future form, given that at this point only initial professional advice and due diligence has been undertaken at this stage. Any further decisions on the next steps would be presented to Cabinet alongside the full business plan and case.

2 Expression of Interest (EOI) for Joint Venture Partners

- 2.1 In order to understand what is available and how people want to be engaged the Council would seek interest from parties who wish to be involved in the project. At this early stage the scope of testing the market is likely to ask 'how' people want to be involved rather than set out the Councils expectations. This is also thought to allow a broader submission from partners which may outline options the Council have not yet considered.
- 2.2 Once this information is obtained it is proposed the Councils 'Strategic Property Board' (SPB) will be the forum where the next stages of development of the project can be considered, before being reported back to Cabinet. SPB considers a wide range of asset and business case propositions and the Council has the option to use some of its own assets if appropriate. It is considered that access to such space as part of a wider commercial offer could benefit all parties. It therefore seems sensible to utilise this existing governance and the process of 'Asset Challenge' should our estate be concerned which forms part of the Councils Asset Management Plan (AMP)
- 2.3 In addition to SPB, the Councils internal teams in particular the Tourism & Enterprise Team, will be key stakeholders providing support in as to the Councils requirements. The existing marketing and engagement processes of Tourism will also be the used as the platform to promote and engage with the wider visitor economy of the town.

3 Enabling Funding

- 3.1 Given the specialist nature and potential scale of the opportunity it is considered that additional skills and expertise would be beneficial. In addition the Council would also require legal and advisory support. Existing teams have significant experience of purchasing but limited experience of direct delivery of alcoholic drinks supply and the associated regulations.
- 3.2 For these reasons it is recommended in this report that £5k of enabling funding is made available to support the development of an advisory forum and also commission expert support in the technical application of developing a micro-brewery (namely brewing).

4 Legal Implications

- 4.1 Given the project is at concept stage legal advice is not required at present. However as set out in the report should the project proceed further legal due diligence around procurement in particular, will have to be fully explored.

5 Financial Implications

- 5.1 As the project progresses the financial implications of any decision made about use of existing estate and investment in the infrastructure required to enable the next steps will be fully tested through due diligence. There are significant risks and challenges in the current retail market which must be taken into consideration give the impact that could have on Council budgets and

projections of income. There will be finance representation throughout the process of due diligence and any implications will be factored into the full business plan should it the project come to fruition.

6 Conclusion

- 6.1 An exciting project for businesses and the business and wider community to collaborate with the Council, it is thought that this opportunity will open up a high amount of interest and enagement whilst potentially spearheading an innovative approaches to Local Authorities supply chain development.