

Report to: Cabinet

Date: 10 February 2020

Title: The Werks Group – Creative Hub Lewes

Report of: Director of Regeneration and Planning

Cabinet member: Councillor James MacCleary, Cabinet member for Regeneration and Prosperity

Ward(s): Lewes Castle

Purpose of report: For Cabinet to note proposals for The Werks Group to take a lease on 4 Fisher Street, Lewes BN7 2DG for the creation of a creative hub and agree that up to £250,000 be earmarked from the Council’s capital programme.

Decision type: Key Decision

Officer recommendation(s):

- (1) To note proposals for the establishment of a creative hub at 4 Fisher Street;
- (2) To agree that the Council enter into lease agreement in line with the terms outlined within section 2;
- (3) To agree that up to £250,000 be earmarked from the Council’s capital programme to support the creative hub project;
- (4) To delegate authority to the Director of Regeneration and Planning in consultation with Cabinet Member for Regeneration and Prosperity to conclude lease arrangements with The Werks Group and to sign or execute the agreement for lease, the lease and any related documentation.

Reasons for recommendations: To enable the creation of a creative co-working hub at 4 Fisher Street.

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1 Introduction

1.1 4 Fisher Street was formerly used as Council offices and has been vacant for a number of years; it is an attractive property, set over three floors, located in a central position within Lewes town centre.

- 1.2 The Council is keen to ensure that wherever possible property it maximises benefits for the local community and officers have been discussing options for bringing 4 Fisher Street back into use as a creative hub with The Werks Group (TWG).
- 1.3 TWG specialise in the creation of co-working space offering creative office, meeting and event spaces; this is based on its key function as support for the creative sector in Brighton & Hove and other parts of the South East. TWG also has an emphasis on building entrepreneurial communities and embedding support in these to ensure that each community and the design of each building delivers on its core values of innovation, sustainability and affordability. TWG has an historic record of success across the South East in developing hubs it operates directly or with local partners as well as undertaking feasibility studies for other creative hubs such as in Tunbridge Wells, Hastings, Faversham and Margate.
- 1.4 Office space in Lewes town centre is in short supply and high demand. This is evidenced by the number of requests that the Council receives for office space (both pop-up and more permanent) and the demand for the Council's main available office space at Lewes House. TWG would like to establish a creative hub in Lewes that builds on their successful track record and provides local businesses with much needed co-working space in a creative environment.

2 Proposal

- 2.1 One of the key aspirations of In line with the aspirations of the AMP is to maximise the financial, economic and social value of the Council's assets. It is proposed that a lease be granted to TWG at 4 Fisher Street in order to develop attractive and contemporary creative hub space to include:
- Street level co-working café for drop-in and sector engagement;
 - Ground floor primarily dedicated to co-working, flexible drop-in use by creative and specialised events;
 - Contemporary office space on floor 1 and 2 on flexible terms to encourage small creative companies to grow;
 - Events and support workshops to build a growth environment in the town;
 - Boardroom and conference space.
- 2.2 The hub is to be targeted at creative industries (Creative-Digital-IT) and will encourage community development and cohesion. As with other Werks Group hubs, it will be part of a holistic offer in which a platform is provided where creatives of all kinds can develop at their own speed - initially from low usage then, usually through organic growth, taking an office and moving on within the same space.
- 2.3 The hub will have a relaxed atmosphere encouraging inter-company working and a sense of community and trusted partners, supporting a range of small companies to inter-trade and share specialist skills, helping to develop and find new business. Small companies often recruit new employees and partners locally which helps embed creative networks within the local community providing social benefits such as:

- Stability within a locally based workforce;
- A range of employment opportunities available consistently within a widening pool of inter-dependent organisations;
- Strong local ties based on work, family and friends;
- A retained interest in local events, suppliers and locally retained profits helping to drive support for other local supply chains, building strength and reliability into the whole local economy.

- 2.4 According to the Department for Digital, Culture, Media and Sport (DCMS), the creative sector has been growing consistently at over 5% in the UK for the last 20 years, showing it to be the fastest growing sector year on year and making it a positive area in which to invest. The creative economy is based on a tight network and employment pool of a large number of smaller companies, which can be a less risky proposition than investing in a property with one anchor name.
- 2.5 Employment in the creative industries is growing at twice the national rate and now accounts for more than 6% of all jobs in the UK, according to new government data. Between 2011 and 2018, the number of jobs in the creative industries increased by 30.6%, compared with 10.1% in the UK overall (DCMS). One in eight UK enterprises are creative enterprises, collectively responsible for generating £101.5 billion gross value added to the economy - a greater economic contribution than the UK's automotive, aerospace, life sciences and oil and gas industries combined (2018, Growing the UK's Creative Industries: What creative enterprises need to thrive and grow, Creative Industries Federation).
- 2.6 It is recognised that the building will need significant refurbishment in order to deliver the hub requirements and will take time to reach its full potential. It is estimated that the hub would likely be 85% let at year 6. Initial works would focus on the establishment of the heart of the hub through the creation of street level co-working space and café, and engagement space.
- 2.7 A condition assessment of the fabric of the building has been undertaken as well as a feasibility to establish refurbishment costings. Costings for full refurbishment with a replacement boiler and piping are estimated to be around £400,000.
- 2.8 The Council does not have the necessary funds to commit the full costs to this project and the arrangement with TWG would therefore be predicated on a shared capital expenditure investment. TWG would seek external grant funding to support capital funding being provided by the Council. It is proposed that the Council earmark up to £250,000 from its capital programme in order to fund the initial urgent works on the property to enable the phased establishment of the hub to commence, including roofing repairs. A schedule of works will be attached to the lease agreement and funding released in line with phasing of works.
- 2.9 The property would be leased to TWG for a 10 year period on a base peppercorn rent to reflect the external investment; this would be the minimum term sufficient to enable TWG to begin to achieve a return on its investment. Although the Council would not receive an annual rent per se, the lease would be structured in such a way as the Council would receive a percentage 'profit'

rent once the hub started to make a profit of more than £50,000, likely to commence in year 6.

- 2.10 Full lease terms would be agreed subject to Cabinet approval of the delegation recommendations in this paper, however, the estimated profit returns for the Council show that after Year 5, taking into account projected operating costs, a net profit of up to £66,000 per annum could be produced. TWG propose that LDC retains a 30% share, or around £20,000 per annum under the lease structure once the trigger is reached for the profit rent.
- 2.11 TWG would be responsible for repairs and maintenance once capital works on the building have been completed, this would ensure that the building is maintained in a good condition throughout the term of the lease. At the end of the lease, the Council could enter into a new lease with TWG.
- 2.12 Although this proposal would require an upfront capital commitment, it would remove the Council's on-going repairs and maintenance liabilities as well as rates liabilities of £35,532. In addition, it removes a significant risk for the Council of holding a vacant building in terms of security and its continued deterioration, whilst enabling much needed additional office space accommodation and supporting opportunities for an increased economy within Lewes.

3. Corporate plan and council policies

- 3.1 This proposal meets the corporate aims of enabling community wealth building through a property regeneration supporting a local provider to develop co-working space for local creative workers.
- 3.2 In addition, this proposal meets the aims of the adopted Corporate Asset Management Plan by reducing maintenance costs and liabilities and ensuring social and economic value is maximised and that the Council only holds property that meets corporate aims and objectives.

4. Financial appraisal

- 4.1 The recommendation is to agree that up to £250,000 be earmarked from the Council's capital programme to support the creative hub project. It is noted that not all capital programme projects have full funding in place and given the current financial climate for public funding and its impact on the Council's financial position, it is sensible to have this flexibility before substantial financial commitments are made. The proposal is subject to continual review to establish whether the forecast as stated within section 2 (above) remains achievable. Whilst the intention is for the Council to progress the proposal as stated, some priority projects and their sources of funding may require re-profiling into future years.

5. Legal implications

- 5.1 An Agreement for Lease will need to be completed prior to the Council providing any funding for the initial works. The Agreement will be based on the agreed

heads of terms and will commit both parties to enter into an agreed form of lease once the initial works have been completed.

- 5.2 The Council has powers under the Local Government Act 1972 to dispose of land in any manner it wishes, including sale of its freehold interest, granting a lease or assigning any unexpired term on a lease. The only constraint is that a disposal must be for the best consideration reasonably obtainable (except in the case of short leases of less than 7 years), unless the Secretary of State consents to the disposal.
- 5.3 The Secretary of State has a power to give local authorities a general consent for the purposes of such disposals and has provided such a consent for the disposal of any interest in land which the Council considers will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area where the undervalue does not exceed £2,000,000. This consent is given under the Local Government Act 1972 general disposal consent (England) 2003.
- 5.4 However, when disposing of land at an undervalue, the Council must remain aware of the need to fulfil its fiduciary duty in a way which is accountable to local people. The Council should ensure that it complies with normal and prudent commercial practices, including obtaining the view of a professionally qualified valuer as to the likely amount of the undervalue.
- 5.5 Any disposal by the Council at an undervalue is potentially State aid and therefore subject to EU State aid rules. Similar UK rules are intended to be applied following Brexit. Advice on this will be provided by legal prior to completion of the Agreement for Lease.

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6. Risk management implications

- 6.1 There are inherent risks with the Council continuing to hold a vacant building as outlined within this report. These proposals will help to remove existing risks and future liabilities for the Council as well as providing positive benefit for the local community.

7. Equality analysis

- 7.1 An Equality and Fairness screening has been undertaken and it is assessed that an Equality Analysis is not applicable to this report.

8. Environmental sustainability implications

- 8.1 This proposal will help to support the future of this important asset. There may be additional measures that could be employed to increase the building energy efficiency, most notably low energy lighting, solar panels and changing the existing heating system. These options will be explored as part of refurbishment of the building.

9. Appendices

- None

10. Background papers

- None