



New England House

Digital Media
Innovation & Enterprise Hub
Joint Vehicle Business Case
– Brief for Consultant Support

February 2010



Brief for Consultants

I. Introduction

Brighton & Hove City Council ('the city council'), Wired Sussex and the University of Sussex ('the University') are seeking consultants to assist in the preparation of a business case for a joint venture vehicle to manage a digital media hub aimed at supporting the workspace, training and growth needs of the digital media sector in the city. It is visualised that this is a joint venture in which all three partners would have a share. The hub would be based at New England House ('NEH'), subject to a viable business case being formulated and the city council (current owners of New England House) agreeing to this option. The partners are inviting bids from consultants with expertise in the field of business planning and particularly in the development of joint HE / public sector / private sector business planning, in business growth and innovation environments, and in financial models (including raising capital) for built environments for high growth companies in the creative industry sectors.

Background

The Digital Sector Locally

It is now widely recognised that Brighton possesses a reputation as a key UK centre for digital media including internet, games development, TV, animation, digital audio, social media and software development businesses. The city is already home to many hundreds of such companies as well as a large freelance sector. It continues to attract strong interest from companies (including Disney, Sony Playstation and others) looking for a UK or European base.

This is a well-networked sector, with Wired Sussex at its heart. Wired Sussex works closely with over 750 member companies and sole traders in the city, and provides advice and services to local and national government, universities and others.

Brighton faces increasing competition from other cities in the UK and overseas who also understand the economic value of having a strong digital cluster. Other cities have invested heavily in supporting their digital sector, including the provision of media and digital media centres to facilitate clustering. It is important that Brighton continues to develop its offer by providing an environment where start-ups can prosper, where companies based here can innovate and grow, and where strong inward investment interest from overseas is maintained.

It is recognised that there is a pressing need for additional flexible, affordable and appropriate studio and office space in Brighton & Hove right across the digital ecosystem for start-ups, businesses, freelancers and others operating (or planning to operate) in the digital media sector.

It is also recognised that to maintain success in this sector, engagement with local universities is of paramount importance. The universities not only provide a supply of graduate talent, they also deliver research expertise and knowledge which, if linked appropriately, can provide a competitive advantage to local businesses.

It is recognised that innovation in products, services, markets and models plays a key role in delivering business success. So, it is important for the continuing health of the local digital cluster that strategies assist businesses in developing and delivering innovation either working solo, or in partnership with the universities or with other companies.

In other cities these elements are often delivered via the provision of a single hub, which supports and sustains start-ups, provides the opportunity for collaboration and can also involve universities to harness training, innovation and enterprise potential.

New England House

New England House is a city council owned building forming part of the council's commercial property portfolio, which was constructed in 1963 to house local industries that were displaced by slum clearance in the late 1950's. Managed by Cluttons, the building is divided up into workshops and office units which cater for a lively mix of activities such as precision engineering, printing, I.T., fashion design, construction consultancy, furniture manufacture, jewellery, artwork, music recording, publishing, ecology and ceramics. Many businesses have formed into 'clusters' to promote joint working, synergy and bulk purchasing. New England House has proved to be very popular and is an ideal focus for starter/small businesses because it offers low cost accommodation on easy and flexible terms in central Brighton, where there is good accessibility to public transport and other services. It therefore plays an important role in the city's economy by providing affordable premises for new and growing businesses, and could continue to do so in the form of a digital media hub.

There are, however, a number of issues with the building in its current form: the condition of the building both internally and externally and its projected lifespan depending on what action is taken. In 2002 a report was commissioned by the city council and Regeneration Partnership to look at the existing condition of the building and to provide a number of costed options for its future regeneration. These ranged from full refurbishment at a capital cost of £6.4m (2003 prices – estimated to be £7.8m at 2007 prices) to minimal ongoing repairs. There was considered to be scope to raise c.£2-3m (2003 prices) by developing the car park to the north of the site to provide move on space for the firms that start in New England House. This report was finalised in 2004 and reported to Policy & Resources Committee.

The Opportunity

The partners to this project recognise that the regeneration of New England House as a digital media hub could solve the issue of appropriate space for the digital media sector, support the need to maintain the creative sector's comparative competitive advantages and resolve the issue of the long term future for New England House.

There is a acknowledged acceptance that something needs to be done with the building because of its continuing deterioration in condition and appearance, and decisions have to be made with regards to the way forward with New England House. At the same time there is acceptance that the city would benefit significantly from a digital media hub and improved access for the creative industries to workspace, enhanced networking, and innovation opportunities and training for staff. Indeed, a development

of this type would contribute greatly to protecting and sustaining the competitive position of what is one of the city's key growth sectors.

The city council has prepared a London Road Masterplan Supplementary Planning Document (SPD). This SPD seeks refurbishment of the existing New England House building and retention of the existing creative industries cluster. Delivery of a vibrant, productive range of activities in New England House is therefore additionally important and should ensure the building fits in with the wider context.

Recently the opportunity has arisen for the city council as both landowner and the organisation responsible for economic development to work with Wired Sussex and the University of Sussex on these issues. As part of an assessment of the options it is necessary for the partners to set a vision for the future of the building. The aim is for the three partners to form a joint delivery vehicle, possibly a Community Interest Company (CIC) though other suitable vehicles should be considered, to improve and manage New England House to meet the needs of the digital media sector through workspace provision, innovation space, and a wide range of networking opportunities, and at the same time also provide opportunities for the University to meet the requirements it has to ensure its research and innovation output delivers economic benefits.

The 2004 Regeneration Partnership Study set the following vision for the future of the building:

To refurbish and enhance, both internally and externally, the existing New England House, creating a vibrant and contemporary space appropriate with the surrounding environment, maintaining the provision of employment opportunities, and ensuring the City Council's reputation as a Landlord. New England House must also be safe, habitable, compliant with current standards and continue to provide a substantial income stream to the Council.

This vision is primarily about the building itself and does not put it in the context of looking at the wider local economy, the SPD, the needs of the Digital Media sector and the needs of the creative industries generally. New England House should not be considered without acknowledging the requirements of the sector to grow in the city. That vision also makes no mention of the desire to provide a range of workspace which includes accommodation at rental levels appropriate for start-up businesses, a key economic benefit that it currently delivers, as well as for later-stage businesses and for premium customers. Furthermore, given the condition of the building and the need to spend money on it, there might be some tension between the goals of refurbishing, keeping a proportion of the rent rates down, protecting the existing income stream, and generating additional income streams through premium office spaces, etc. So, as part of any future decision about the building there may need to be consideration about the order of priority for these goals.

A proposed updated vision for the project as a whole could be:

Our goal is to develop New England House in Brighton & Hove into an internationally recognised centre of excellence for digital business, encouraging innovation and facilitating economic growth.

We aim to provide a range of much needed and appropriate workspaces for the fast growing digital sector including start-up spaces, 2nd phase move on space, Grade A accommodation, and networking facilities. The partners aim to deliver innovation, research and knowledge exchange opportunities, effectively linking higher education to the sector with the goal of extending commercial and funding opportunities and enhancing the reputations of participants.

To be an effective vehicle for demonstrating the ambition of the local digital sector, New England House must also be safe and habitable, accessible, well-designed, commercially sustainable, and situated within (as well as contributing to) a vibrant quarter of the city.

2. The Partners

Brighton & Hove City Council

The city council has an Economic Development function that works to achieve the following objectives:

- To improve the competitiveness of the local economy by broadening the economic base and supporting growing employment sectors.
- To improve sites and premises, therefore providing opportunities for local, national and international businesses to expand and invest in Brighton & Hove.
- To enable people to compete in the local economy by raising the standards of training and skills development.

It is envisaged that the New England House digital media hub will assist in the meeting of these objectives for the digital media sector.

In addition, the proposed joint vehicle would implement a key element of the London Road Masterplan Supplementary Planning Document (SPD) and show the city council taking action in line with its own planning policy. This example, combined with the Open Market redevelopment, would act as a catalyst to kick start the regeneration of London Road. The project needs to be in tune with the wider area and surrounding development opportunities. As such there is scope for consideration of how neighbouring sites in different ownerships might be developed to complement NEH and vice versa.

The City Council approved in April 2009 the Business Retention and Inward Investment Strategy which sets out a framework of activities to support existing businesses and attract new businesses to the city and identifies the key sectors for growth which includes the Digital Media sector. The city council together with Wired Sussex and other inward investment agencies work together in attracting new businesses to the city

Wired Sussex

Wired Sussex is an independent, not for profit membership organisation. Its vision is to see Brighton and its hinterland recognised as Europe's most significant new media hub. Its mission is to realise that ambition by working with, and delivering value for, its member companies.

It currently has around 1,400 member companies (including those outside of Brighton & Hove) who range from sole traders to international businesses like Disney, Second Life and others. It provides a range of services including recruitment, training, networking opportunities, advice on funding, business plans and company strategy. It also delivers consultancy, advice and support to local and national public sector organisations including SEEDA, BHCC and UKTI. Wired Sussex is also funded by the regional development agency to provide innovation and growth advice about digital technology to a wide range of high growth businesses across the South East. Brighton & Hove City Council also part fund the Internship Programme with HEFC funding.

Wired Sussex works closely with universities locally, nationally and internationally. Current projects with the University of Sussex include the Digital City Project, the Sussex Internship Programme, and the Brighton and East Sussex Innovation and Growth Team.

Wired Sussex recognises the continuing challenge of providing appropriate workspace for the sector, of helping its members gain competitive advantage through generating deep networking opportunities with each other and with universities, and for Brighton to have a statement of both the size and the ambition of the sector locally.

Wired Sussex is recognised as one of the UK's foremost authorities on digital media business clusters and how to generate business success through clustering, networking and other similar strategies. As such, Wired Sussex has worked with others who look to deliver value through clustering (including Barnsley Digital Media Centre, Huddersfield Media Centre, SL Boston, USA and others). Wired Sussex would be looking to manage the NEH digital media centre, ensuring that its expertise in this field and its understanding of how to work with universities effectively benefits its members and the sector as whole.

University of Sussex

The University of Sussex is one of the UK's most successful universities with a strong track record in research, well-developed international links, and a positive - and in some areas unique - student experience.

The University has academic activities across a broad range of subject areas, including a number that are directly or indirectly linked to digital media, including those of technical, commercial, and social relevance.

It owns and operates the Sussex Innovation Centre (SInC), which provides incubation and business support services to start-up and established companies. SInC is to be the lead organisation for the Brighton and East Sussex Innovation and Growth Team.

In line with Government expectations, the University wishes to embed more fully "users" of all kinds into its research and educational activities, and extend its enterprise activities, enabling the profitable exchange of research and innovation expertise. The digital media area is one targeted area for growth in this respect, because of the appropriate range of activity at the University, the concentration of business activity in Brighton, and the nature of the sector itself.

In relation to this proposal, the University sees this as an opportunity for it to have a visible, productive presence in the city. The University would wish to see models that would enable:

- the involvement of relevant companies in its educational activities to enhance the content and hence attractiveness of the offerings (e.g. curriculum development, and student placement and internship opportunities);
- the development and delivery of appropriate, targeted training and development opportunities to the occupant companies and those from national and international bases;
- interactions with the occupant companies on research and knowledge exchange activities, either as commissioned work, or as collaborators on proposals to other relevant bodies; and
- the involvement of relevant companies in the application and exploitation of the University's research results.

In all cases, the activities would need to meet the University's strategic development priorities and generate additional income streams to the University, and would have to demonstrate that New England House is the best location for them.

3. Scope of the Work

The Partners are seeking a viable business case and business plan for a digital media 'innovation and enterprise hub' in New England House (following improvements), providing various levels of intervention and support and varying levels and types of space. The scope of the work should include the following points:

- Consultants should break the work up into two stages. The first will be ideas focused, looking at problems and opportunities and raising a number of likely options for operating the hub. This will see if there is an outline proposal that works for the partners, before testing it in detail. The second stage will do more detailed testing, taking a critical look at the financial implications and viability. The appointed consultants will be expected to present to the partners (see Outputs below), including the council's Project Board, before progressing from Stage One to Stage Two.
- The consultants will need to give advice on the most appropriate type of governance structures at both development and operational phases. A Community Interest Company (CIC) is a model that should be seriously considered by the consultants, but other possible models should also be examined and reported on. The consultants should be prepared to recommend a model which can facilitate ongoing delivery of the agreed vision, provide a secure commercial structure for the project and effectively protect the partners' interests, both collectively and individually.
- A key part of the business plan will be to undertake market analysis and research into supply and demand for business space serving the digital media sector. In particular looking at the impact of any cluster effect. This will involve looking at the relevant national and international examples of media hubs and media space, including appropriate case studies. It is likely that where there is any shortfall in

demand from the digital media sector then the wider creative industries sector may want to take the space. 'The [Creative Industries Workspace in Brighton & Hove 2007-2017](#)' document published March 2008 gives a good understanding of the workspace demand across the whole of the creative industries sector in the city and should be considered.

- The consultants should examine how synergies between the partners on this project can deliver more effectively than the partners could do in isolation and ways that this can be afforded an economic and social value. It is important that any proposal fully reflects the joint goals for the project but also that it meshes with the partners' individual strategies.
- The consultants should carry out an assessment of the financial viability of the project for the medium and long term, including an appraisal of the future revenues for the proposed project. The assessment will take into consideration existing income sources as well as identifying and assessing future incomes and their relationship to the partners. The robustness of the project should be ascertained by carrying out a suitable sensitivity analysis and determining appropriate best and worst cases. Consultants should also analyse and recommend funding strategies for capital expenditure for the project.
- In assessing the viability, consultants will need to take into account the whole life costing of maintaining and running the building over a 25 year period, the likely management and staffing costs that will be required to meet the clients' operational requirements and activities, and the potential income streams from users.
- Assessment of the risks associated with the project for the operation of the hub using either a SWOT or PEST analysis or similar as appropriate. Develop a strategy for management and mitigation of all key risks. The risks and opportunities are likely to include competing and complementary space and potential developments in the surrounding area.
- Assessment of the market for the project locally, and analysis of competing spaces locally and nationally where such spaces may impact on proposals for the New England House hub.
- Strong understanding of the future trends, political and economic, in the HE sector, in order to assess the role of and case for university involvement in the development.

4. Consultation

The business case does not require widespread public consultation as it will be informing, rather than making, policy decisions for the three partners. Wired Sussex have the most complete overview of the digital media sector in the city, and as such they will be a key consultee to find out more about the local digital media sector and its present workspace requirements. Key departments within the other two partners will also need to be consulted. There is scope for consulting with and informing existing tenants in the building about the process that is being undertaken, but this

should be co-ordinated by the city council along with the other partners. The selected consultants may wish to be in attendance for this.

5. Issues for Consideration

The three partners will bring different elements to the vehicle and the operation of the innovation and enterprise hub.

- Wired Sussex brings their expertise and knowledge of the sector, of clustering and networking strategies and of economic innovation using digital technology. They are likely to involve themselves in the day to day management of the facility.
- The University will bring innovation and research expertise and, through a range of ongoing and concrete engagements with many of the users of the building, deliver economic and social value to the University, the sector and the city.
- The key element the city council would deliver is the building itself. It would also deliver strategic support and, where appropriate, interventions designed to assist the integration of NEH into, and the improvement of, the surrounding New England Quarter and London Road environment.

The business case would need to demonstrate that the overall impact of the project in social and economic terms would be positive.

The council currently receives rental income from the building. It is important that any business plan takes due cognisance of that fact and that due consideration is given to how it can be demonstrated that any business plan delivers real value which exceeds that current income and needs to be mindful of considerations such as best consideration, Value for Money and state aid.

The business case should be predicated on the assumption that the vehicle is seeking to assist the sector by ensuring that the function which NEH currently delivers of providing low cost, low spec space to start-ups is maintained within the parameters of retaining a viable business plan for the vehicle and ensuring there is money to invest into the on-going maintenance of the building. However, the partners are trying not to create a culture of dependency. As those businesses expand and improve their covenant they need to be incentivised to move on (potentially to premium move-on space within the building) or towards other accommodation at an appropriate market rent.

The business case must take account of the context within which the hub is operating, and the building is a key factor. Therefore the business case will need to factor in renovation costs and as a result show how value can be generated by making the building work harder – providing e-office and other co-working spaces for freelancers, investigating commercial social and networking environments (such as cafes and bars, rentable meeting spaces, etc), tiering rents so that start-ups, medium and larger entities have rent levels (and service provisions) which equate to their aspiration and ability to pay.

Existing non-digital media tenants who are using the building will not be required to vacate their units, especially as many of them enjoy protection under the Landlord and Tenant Act meaning they would require compensation. Instead future lettings will move the focus towards the creative and primarily digital media sector, but this will have to be done without marginalising existing tenants.

None of the partners are likely to be able to bring significant capital funding to the vehicle (although the partners may be able to collectively bid for some funding if a very innovative and appropriate model is proposed). The delivery vehicle will therefore have to seek ways of raising capital and servicing any debt.

6. Outputs

Outputs

It will be expected of the consultants appointed that, at an appropriate point partway through the consultancy contract, they deliver an initial draft report and hold a workshop with the partners to discuss and receive feedback on that initial draft report. They will then be expected to deliver a final report. That final report will be expected to cover (but not be limited to):

- An Executive Summary.
- A review of the digital media sector locally and its relationship to the digital sector nationally, including growth prospects (prepared in partnership with Wired Sussex).
- An analysis of the market place for digital media, both nationally and locally, including some limited case studies (prepared in partnership with Wired Sussex).
- A statement of the existing New England House context, including the surrounding uses, links and regeneration proposals; the existing users of the building and the kind of value it generates at present.
- A report into the best type of vehicle for the partners to form, and how it might be structured, including governance (detailed legal assistance such as drawing up any articles of association will not be required), detailing its strengths with respect to other options.
- A proposed business model, including:
 - Objectives
 - Revenue streams
 - Expenditure estimates
 - Accommodation units and pricing
 - Finance
 - Cash Flow
 - Management
- A projection into the likely impact that capital works costs might have on the business model (e.g. through impact on borrowing and rents, etc.). As the consultants will not have up to date condition surveys it is proposed that this could be done on a sliding scale of scenarios, i.e. best case, worst case and median. These capital works might include creating new space within the building and opening up unusable space, as well as renovating the existing structure and operational space. The 2004 Regeneration Partnership Study document is a starting point to understand the proposals and the magnitude of works required, but the costs and figures in it are not up to date.

- Consideration of how neighbouring sites may assist the business model for New England House, particularly the car park to the north of the building which might deliver additional space and/or a capital receipt.

In the event that the work suggests there is not a viable business case that can be created by the three partners and the resources they might be able to bring to the project, then the report will need to highlight the areas where further inputs might be needed. This way the partners will know what further work they need to do to get to a position where they will have a viable proposition.

Quality Expectations

Where figures are stated they should be reliable and referenced to a source and where figures are based on assumptions this should be made clear.

Consideration will need to be given to existing and draft government guidance, including the October 2009 consultation document from HM Treasury : 'Joint Ventures: a guidance note for public sector bodies forming joint ventures with the private sector.'

7. Timetable

The proposed key dates for this project are:

Appoint consultants to prepare business plan	05/03/10
Completion of business plan	14/05/10
Officer group to consider findings	26/05/10
Project Board to consider findings	09/06/10
Cabinet agree preferred option	15/07/10
Start to establish vehicle	August 2010 onwards

If consultants think this timetable is too tight for the completion of a good quality business plan then there may be scope for discussing an extension, however, there is a desire by the partners to create an maintain momentum.

8. Submission of Bids

Bidders should submit 4 unbound copies of their tender, which should consist of no more than 8 sides of A4 per copy and must cover the following areas:

- Outline the proposed methodology to address this brief and desired outputs.
- Provide details of previous experience and strategy, and evidence of up to date knowledge and expertise in development finance.
- Detail costs broken down into the separate elements of the brief.
- CVs of key members of the team and their time commitment to the project.

Costings

Costings should include the following information:

- The total fixed price cost.
- The number, seniority and experience of the personnel involved.
- The hourly rate for each person.
- Estimated number of hours for each person for each of the identified stages.

- The likely charges for any additional costs such as expenses.

The city council, Wired Sussex and the University of Sussex do not bind themselves to accept any or the lowest price tender but will choose any preferred bidder on the basis of the most economically advantageous quotation. You are therefore invited to provide qualitative details of similar previous commissions, which demonstrate how the work was undertaken and managed. The provision of references would be helpful.

Selection Process & Timetable

The timetable for selection is as follows:

Brief issued:	9 th Feb 2010
Bids to be returned by:	26 th Feb 2010 (12 noon)
Panel shortlist for interview:	2 nd March
Interview date:	5 th March 2010

Selection and interviews will be carried out by Max Woodford, Project Manager for the city council; Phil Jones Managing Director of Wired Sussex and Dr Ian Carter, Director of Research and Enterprise at University of Sussex. If selected for interview, the firm should be represented by the director or partner with overall responsibility for the commission together with the individual who is proposed to take day to day responsibility for the commission.

Evaluation of Bids

Bids will be evaluated against the following criteria:

Criterion	Weighting
Overall quality of the bid and the extent to which it demonstrates ability to fully satisfy the brief	30%
Direct experience in the field of business planning and particularly in the development of joint HE / public sector / private sector business planning	25%
Displaying knowledge and understanding of the digital media sector and innovation environments	20%
Price (including total price, how realistic the price is and value in terms of hours/price)	25%

Freedom of Information

Under the Freedom of Information Act 2000, members of the public or any interested party, may make a request for information to Brighton & Hove City Council. Information contained in your tender documents will be treated as commercially sensitive and not subject to disclosure until a successful tenderer has been appointed. After this period the Council may disclose some or all of that information upon request unless it still considers that it is covered by one of the exemptions in the Act.

If your tender documents or any information contained in the contract is commercially sensitive or is a trade secret, the onus is on the tenderer to ensure that this information has been clearly identified to Brighton & Hove City Council. Any tender document and/or contract **must** have this commercially sensitive information and/or trade secret clearly marked and identified as such.

The consultant will have access to relevant background information and files but will be required to keep information confidential unless data is already in the public domain or unless the city council gives permission to release the data.

Conflicts of Interest

Consideration should be given to the potential for any conflict between the interests of the parties and any other client of the Consultant as part of the tendering process.

Deadline

Your response should be returned in an otherwise unmarked envelope by **midday on 26th February** to:

Max Woodford – Project Manager (Capital Projects)
Major Projects & Regeneration
Brighton & Hove City Council
Room 430, Kings House
Grand Avenue
Hove
BN3 2LS

Four signed copies of the tender submission should be enclosed together with one copy on electronic media (CD, DVD or memory stick). Faxed copies will not be considered.

Alternatively a version may be e-mailed to max.woodford@brighton-hove.gov.uk by that time and date with hard copies following directly in the post.

Further Information

For further information please contact

- Max Woodford, Project Manager (Capital Projects), on 01273 293451 or max.woodford@brighton-hove.gov.uk
- Wired Sussex contact: Phil Jones MD on 01273 605671 or phil@wiredsussex.com
- University contact: Ian Carter, Director of Research and Enterprise, on 01273 877718 or i.carter@sussex.ac.uk

If the successful consultant requires access to the building outside of meetings with the partners then they will need to liaise with Cluttons who manage the building for the city council and Richard Butler, Estates Manager (e; richard.butler@brighton-hove.gov.uk tel: 01273 291440).

List of Relevant Reports and Studies

The following documents and information are considered relevant for this work but are not an exhaustive list:

- [Creative Industries Workspace in Brighton & Hove 2007-2017](#) published March 2008
- [The London Road Central Masterplan](#) draft Supplementary Planning Document (SPD)
- New England House Masterplan, February 2004 Prepared by Robinson Low Francis, Felce & Guy Partnership, Dixon Hurst Kemp and Oakley Commercial. Commissioned by Brighton & Hove City Council. Copies available to bidders on request.