

ENTERPRISE EMPLOYMENT & MAJOR PROJECTS CABINET MEMBER MEETING

Agenda Item 13

Brighton & Hove City Council

Subject: Creative Industries in Brighton & Hove
Date of Meeting: 15th June 2010
Report of: Director of Housing, Culture and Enterprise
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Key Decision: No
Wards Affected: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report summarises the current state of the local creative industries sector and council interventions to ensure that the sector can develop, grow and provide employment opportunities for residents, including and update on the creation of a new digital media enterprise and innovation hub at New England House.

2. RECOMMENDATIONS:

- 2.1 Receive this report and note the activity currently being undertaken by the Council in support of growing the local creative industries sector in Brighton & Hove.

3. RELEVANT BACKGROUND INFORMATION

- 3.1 Brighton & Hove's creative industries sector is rich and diverse, consisting of around 1,500 businesses that employ approximately 10,000 people. 5,800 sole traders and freelancers are estimated to work locally in the creative sector, providing an estimated total employment figure of 15,800 or 10.7% of all city employment (2007 data). The number of businesses in the various creative sub-sectors are broken down as follows: -

Digital media, software, leisure software and games	33%	500
Music and the performing arts	11%	165
Publishing and literature	9%	135

Visual arts and photography	9%	135
Design	8%	120
Art & Antiques	7%	105
Film, TV & radio	5%	75
Architecture	4%	60
Advertising	3%	45
Crafts	3%	45
Heritage & Museums	2%	30
Others (details unspecified)	6%	90
Total	100%	1505

Source: Creative Workspace Study 2007

- 3.2 The 2009 Brighton & Hove Business Retention and Inward Investment Strategy (BRII) identified the creative industries as a growth sector due to performance in the past decade. The BRII action plan brings forward a multitude of initiatives to retain/grow existing creative businesses and attract new investment.
- 3.3 To build upon our existing knowledge of the needs of indigenous firms, the council is currently undertaking a survey of the key growth sectors identified in the BRII. This includes the creative and digital media sectors. The quantitative and qualitative data collected from the survey will inform future policy interventions, with survey results due to be available in August.
- 3.4 Business Lifebelt, part of the council's recession relief package, included a series of three free workshops designed to support local creative businesses that may be at risk of failure due to the economic climate. The three workshops supported over 220 creative businesses and the overall satisfaction rate for the three workshops was 87% good or excellent. The high attendance and positive feedback drawn from these events has been taken as an indicator of demand for sector-specific business support and networking, and a second series of workshops for creative industries will be delivered by the city council and partners in early Autumn.
- 3.5 Creative Brighton, a group consisting of public and private sector partners including the city council, offers operational support to the creative sector by collaborating to put on peer-to-peer and networking events in addition to an online information resource. The city council is supporting Creative Brighton to develop a stronger presence in bring creative businesses together through a more interactive website.
- 3.6 An economic development officer post with specific responsibility for developing particular subsectors is currently being recruited to. The first focus of that post will be to support growth of the environmental and creative industries.
- 3.7 The BRII and Creative Industry Workspace study both identify an under-supply of flexible and sufficient creative workspace as a key barrier to future economic growth. In the case of New England House the council, as landowner, has the opportunity to investigate which options would bring about the greatest economic benefit to the city.

4. NEW ENGLAND HOUSE PROJECT

4.1 CONTEXT

- 4.1.1 It is recognised that there is a need for more flexible and affordable office space in the city for high tech and digital media firms. In other cities this type of space has been provided in a single hub, which supports and sustains start-ups, provides the opportunity for collaboration and can also work with universities to harness training and enterprise potential. Such a hub would be very beneficial for the city's important and growing digital media sector.
- 4.1.2 New England House is a city council owned building, which was constructed in 1963 to house local industries that were displaced by slum clearance in the late 1950's. It forms part of the council's commercial property portfolio and is managed by Cluttons, the council's agent. 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 been formed into 'clusters' to promote joint working, synergy and bulk purchasing. New England House has proved to be an ideal focus for these types of starter/small businesses because it offers subsidised low-cost accommodation on flexible terms in central Brighton, where there is good accessibility to public transport and other services. It already plays a significant role in the city's economy by supporting start-up and growing businesses by the provision of affordable subsidised premises on flexible terms. As such the building is very popular and has a waiting list for space. It could continue to be an environment for nurturing business by becoming a digital media hub, bringing together the two issues of the need for such a facility and securing the future of New England House.
- 4.1.3 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 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.£3m (2003 prices – may well have been subject to change since) by developing the car park to the north of the site. This could be developed to provide move-on or premium space above the car park for the firms that start in New England House. The report found that there was a lifespan of 10 years left in the building in its state at that time meaning that 'do nothing' is not an option. Even if this was a pessimistic prediction, the need for new cladding is clear as the existing cladding is not weatherproof. The full refurbishment would add 40 years to the building's life. £1.345m of city council and SRB funding was invested into refurbishing some floors of the building in the late 1990's early 2000's. Since then the city council has continued to invest money on planned maintenance, including replacing the goods lift (costing £106,000) improvements to common areas and the removal of asbestos. There is no existing budget for large scale renovation.
- 4.1.4 Recently, a large proportion of the space in the building has been occupied by businesses within the digital media and creative industries sector. This is something

that has been supported and promoted by the city council together with organisations such as Wired Sussex who are a tenant in the building. These sectors tend to locate together as a cluster because of the nature of the business. Clustering has also been assisted by the availability of space and the competitive terms being offered to attract businesses to the building. The needs of this sector is clear; flexible affordable workspace and the availability of an appropriately qualified workforce.

4.2 FUTURE OPPORTUNITIES FOR NEW ENGLAND HOUSE

- 4.2.1 We are now exploring a future vision for New England House as a large scale, high profile and visible digital media focused managed business centre. The early vision concept is for a consortium of partners including the University of Sussex, Wired Sussex and the city council to agree a clear partnership vision, viable business case and funding package for the development of New England House as a digital media hub. In addition, the University of Sussex are very keen to establish a city centre presence for their digital media courses, bringing them closer to where the sector actually operates, as well as giving them the opportunity to grow and support knowledge exchange and innovation from their research programmes.
- 4.2.2 The city council needs to properly assess all of the options for realising such a hub, including preparing and testing a business case. DCA Consultants have been appointed to prepare a viable business case and business plan for a digital media 'enterprise hub' operating out of the existing building (following improvements), providing various levels of intervention and support together with varying levels of quality of space and rents. Wired Sussex, who will be the key consultee, along with the University of Sussex and council officers are also involved in preparing the brief. LABGI funding has been identified for this project. DCA are a Birmingham based company with extensive experience of both business planning and developing out similar facilities, and the brief they have been appointed to fulfil is attached at appendix 1.

4.3 PROJECT VISION

The brief contains the following vision for the New England House project:

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.

4.4 WIDER CONSIDERATIONS

- 4.4.1 The London Road Masterplan SPD was adopted at Environment CMM in December 2009. This SPD seeks retention of the existing creative industries cluster as part of any refurbishment or redevelopment of the existing New England House building. This project would implement a key element of the masterplan and show the city council taking action in line with its own planning policy. This example would act as a catalyst to kick start the regeneration of the central London Road area. The project needs to be in tune with the area and surrounding development opportunities, but it needs to avoid additional complexity that would act as a barrier to delivery. However, there is scope for consideration for how neighbouring sites in different ownerships might be developed to complement NEH and vice versa.
- 4.4.2 There are legal and procedural issues to be cleared if the city council does decide to dispose of New England House into a body such as a CIC in partnership with Wired Sussex and the University of Sussex. The city council and the university will have to fully comply with EU procurement rules if they are deemed to apply and will need to set up appropriate structures. Best consideration and state aid issues will also apply in any long term decisions on the building.
- 4.4.3 As the project proceeds consideration will be given to any potential European pots of funding to help close any gap in the business plan. Any works undertaken to the building will raise its environmental performance so options for assistance will be explored. There are no specific national sustainability funding pots in place, though the Sustainability Team have been made aware of this project and are monitoring emerging options. What is clear though is that any such funding pots are likely to be marginal in terms of the overall viability of the business plan

4.5 COMMUNICATION

- 4.5.1 Officers and DCA are aware of the sensitivities of existing tenants in New England House. It needs to be made clear through the communications process that this project is not about removing existing tenants but instead creating more space, making better use of the space there is and potentially seeing the change in the pattern of occupation through natural churn. In addition, there is also no long term benefit in excluding the non-digital creative industries as having them in the building also helps to create the right ecology, with digital firms potentially needing deal with non digital firms (for example, a computer games company might want to work with a traditional animator).
- 4.5.2 As DCA continue their work they are going to speak to a number of existing and potential building users about how the building does work and how it might be improved. This is not a formal consultation process as it is about creating a business plan that works financially, but part of that does include opening a dialogue

with existing building users and making it clear to them that something does need to be done to protect the future of the building. The city council and DCA have written to all building users to invite them to help input into the business plan.

4.6 NEXT STEPS AND TIMETABLE

4.6.1 As outlined above, the current work being undertaken is around officers investigating the options for New England House, including drawing up a business case for a potential joint vehicle. Potential milestones for the project include:

- 1) **In March 2010** – The three project partners appointed DCA to undertake the business case.
- 2) **By September 2010** – Appraise the options for the project, including consideration of a completed business case and seek Cabinet approval for the preferred option, informed by that business case.
- 3) **From October 2010** – Start to form the joint venture (subject to Cabinet approval) to start the work to turn New England House into a digital media hub.

5. CONSULTATION

5.1 Consultation in the preparation of this report has been undertaken with council officers in Economic Development, Major Projects and Property Services and with external partners; Wired Sussex and University of Sussex.

6. FINANCIAL & OTHER IMPLICATIONS:

6.1 Financial Implications:
Detailed financial implications will follow.

Finance Officer Consulted: Anne Silley Date: 01/06/10

6.2 Legal Implications:
Some of the complex legal issues are referred to at paragraph 4.4.2 of this report. These and other legal issues will be addressed in the options appraisal report currently programmed for the Cabinet meeting in September 2010.

Lawyer Consulted: Bob Bruce Date: 01/06/2010

6.3 Equalities Implications:
Nationally, figures for unemployment have risen in terms of people unemployed for longer than 12 months, both in total and in terms of the figures for young people (Labour Market Update, Centre for Cities April 2010). In terms of tackling unemployment, there is a particular need in Brighton and Hove to create higher skilled jobs to free up the labour market elsewhere for those

furthest from the labour market. The higher skilled jobs are more likely to be found in sectors such as creative industries.

6.4 Sustainability Implications:

In general terms the creative industries and the digital media sector in particular are clean and sustainable businesses. The initiatives outlined above also contribute to the sustainability of the city's economy.

6.5 Crime & Disorder Implications:

Any measures that increase employment in the city are likely to have a beneficial impact in terms of crime and disorder. The plans to improve New England House would also have a beneficial impact on that area as well as the building itself which has suffered from targeted break-ins.

6.6 Risk and Opportunity Management Implications:

The strategies developed and interventions undertaken to support and develop the creative industries sector are done so in response to audit and research data. The New England House project has risk and opportunity analysis built into the framework of its project management at every stage

6.7 Corporate / Citywide Implications:

Tackling worklessness is citywide in its scope in terms of work done to develop key employment sectors. There are corporate implications in the future development of New England House as it is in council ownership, that are yet to be worked through.

SUPPORTING DOCUMENTATION

Appendices:

1. **New England House Consultants Brief**

Documents in Members' Rooms

1. None

Background Documents

1. None

