

Subject:	New England House		
Date of Meeting:	14 October 2010		
Report of:	Acting Director of Environment		
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Key Decision:	Yes	Forward Plan No: CAB16970	
Wards Affected:	All		

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 This report, and the business case executive summary at Appendix 1, summarise the findings of the study to assess whether New England House might provide a hub for digital media businesses and the wider creative industries and, if so, what would be needed in terms of building renovation and project development to make the hub flourish. Following the inclusion of the future of New England House in the Leader's 10 Pledges document last year, a consortium of partners including the University of Sussex, Wired Sussex and the city council appointed DCA, a consultancy with sector specific knowledge and experience to examine the business case. The key finding is that there appears to be a viable project to deliver an innovation partnership and an improved facility at New England House.

2. RECOMMENDATIONS:

- 2.1 That Cabinet notes the contents of the Executive Summary of the New England House, Brighton Digital media and Innovation Hub Joint Venture Vehicle Business Case at Appendix 1 (full report available in Member's Rooms).
- 2.2 That, based on the report's findings, Cabinet agrees to pursue development option D for the building, refurbishment and renewal with network and innovation space, whilst also exploring the potential for further development of the innovation partnership with the development partners Wired Sussex and the University of Sussex.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 Primary and secondary research¹ demonstrates that there is a need for more flexible and affordable office space in the city for high tech and digital media firms, not only for start up businesses but also for 'move on' space for

¹ Creative Industries Workspace in Brighton & Hove 2007-2017, March 2007
Brighton & Hove Business Survey, Step Ahead Research, 2010

New England House, Brighton Digital media and Innovation Hub Joint Venture Vehicle Business Case, DCA, 2010

businesses on the verge of expansion. When this type of space can be provided in a single hub, as case studies in other cities have shown, the opportunities for collaboration between businesses, for working with education and training providers to exploit enterprise potential can be maximised. For Brighton and Hove, with its burgeoning creative industries, such a hub could be very beneficial, in particular for the growing digital media sector.

- 3.2 The potential for such a hub is recognised in the 10 Pledges document and a small consortium of partners including the University of Sussex, Wired Sussex and the city council have developed a partnership vision around this proposition and have been exploring its viability both financially and practically.
- 3.3 New England House occupies a pivotal position in terms of the wider regeneration of the surrounding area and is closely related to a number of key sites, such as Block J of the New England Quarter, which will need to be brought forward in a coherent way. Although approximately 40% of the floorspace is currently unlet due to its condition and size, the building has recently seen a significant proportion of its space occupied by businesses within the digital media and creative industries sector. This is due to the competitive rates, flexible terms and the location close to North Laine and the train station.
- 3.4 To establish whether New England House could perform the role of a hub effectively, the city council needs to properly assess all of the options, including preparing and testing a business case. Therefore, following a competitive tendering process, DCA Consultants were appointed to prepare a business case to test if it was a viable proposition for a digital media 'enterprise hub' to operate out of the existing building. The funding for this was agreed at the October 2009 Cabinet meeting. DCA have extensive experience of both business planning and developing similar facilities.
- 3.5 The resulting report is both thorough and realistic and encouraging about the potential future of the building and its place in this key employment sector in the city. DCA's key finding is that New England House is ripe for the development of this vision and reactions to the consultation have been positive and enthusiastic, and that doing nothing is a not a viable long term option.

4. CONSULTATION

- 4.1 There has been consultation with existing tenants of New England House and with potential new tenants. Officers and DCA are aware of the sensitivities of existing tenants in New England House and it has been made clear to them 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 change in the pattern of occupation develop naturally. DCA have written to all building users and spoken to a number of existing and potential building users about how the building does work and how it might be improved.
- 4.2 This project has an officer working group made up of officers from Property & Design, Culture and Economy, Finance, Legal Services and City Planning. They have reviewed the proposed business case and their input is integral to this report.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 Summarised in appendix 2 of this report.

Finance Officer Consulted: Rob Allen

Date: 20/09/10

Legal Implications:

- 5.2 This report seeks agreement for the option D proposal to be further investigated. A comprehensive report will therefore be coming to Cabinet in early course and that report will deal with the detailed legal implications arising, including procurement, State Aid and any issues concerning best consideration and the application of Section 123 of the Local Government Act 1972.
- 5.3 The general legal implications relating to the options referred to in the report are included in appendix 2 of this report.

Lawyer Consulted: Bob Bruce

Date: 23/09/10

Equalities Implications:

- 5.4 The Major Projects & Regeneration team is in the process of developing a bespoke Equalities Impact Assessment (EqIA) process that fits within the agreed corporate process but which better reflects the nature and decision making arrangements of major projects managed by the city council. Development of this process has involved the Corporate Equalities Team and their involvement will continue. An EqIA for the New England House project will therefore be prepared and will inform later phases of work and will in itself evolve as the project progresses.

Sustainability Implications:

- 5.5 The existing building performs very poorly in terms of sustainability, due to its age and condition. The failing cladding system is a particular problem. Replacing that cladding will help to address this.

Crime & Disorder Implications:

- 5.6 One complaint about New England House in its existing form is that it is very insecure. Part of any refurbishment would include measures to provide a new entrance giving both a better sense of arrival and increased security.

Risk & Opportunity Management Implications:

- 5.7 A full risk and opportunity register has been prepared as part of this project.

Corporate / Citywide Implications:

- 5.8 This is a major opportunity to cement the city's role as an important hub for the creative industries and digital media sector.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 The methodology for undertaking the study has been in two stages and has developed the brief to assess the real level of demand in the city for space for the creative/digital media sector. The first stage developed a range of options through partner consultation and workshops, market testing and analysis of both the creative/digital and wider property economy, reviewing the building (condition and potential) and a research and strategy review. This helped identify the preferred option(s), the viability of which, in capital and revenue terms, was tested in the second stage of the study. As such the main report outlines the various alternative options that were assessed.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 Officers have reviewed and considered the methodology and key findings of the study done by DCA and have summarised the financial and property implications at Appendix 2.
- 7.2 DCA's study is thorough and looks at the options for NEH in a holistic way ie - the supply and demand of creative and digital industries in the City and area ; the advantages and interdependencies on other associated industries; and the impact of property market failure on inward investment and sector development.
- 7.3 The report explores the existing and potential role of New England House in supporting development in the digital and creative sector, and how it might be used to harness the existing haphazard and ad-hoc nature of networking within the sector in the city. It outlines how NEH has the potential to provide a home to a range of activity which might be programmed and facilitated by a group of partners aiming to strengthen the innovation presence and profile in the city. Through the opening out of existing spaces for networking and showcasing, investment in the overall look-and-feel of the building, the development of high quality meeting rooms and hot-desking space and the presence of research intensive partners, NEH has the potential to play host to a range of activities, programmes and companies – including the University of Sussex and other Further and Higher Education partners. This could make NEH a compelling proposition for innovators and investors, and at the heart of the growth of the sector in the city. However, it is clear that such an innovation partnership does not have to wait for the completed refurbishment of the building to start operating. Officers can therefore work with Wired Sussex and the University of Sussex to explore how the partnership could start working ahead of and in parallel to the refurbishment of the building.
- 7.4 The headline finding of the report is that there is a viable case for a significant renewal option for the building, providing network hub and innovation facilities and that doing nothing is a not a viable long term option.
- 7.5 Next Steps
The DCA report outlines the development options to realise the proposed scheme, including looking at the potential structure of the partnership. There are three main options:
- A Community Interest Company (CIC) comprising the three parties (BHCC, Wired Sussex and the University of Sussex) undertakes the development and then manages the space. DCA advise that this could lack flexibility and they

question how such a body would shoulder construction risk. The new CIC would not have the stature to underwrite the risks of the capital project. This would most likely fall instead to the city council.

- A second option would be for the city council to undertake the capital project, borrowing the necessary finance and bearing all risks, then investing the completed building into a joint management CIC. However, the relative stake of the three partners and their exposure to liability would be very uneven and therefore difficult to agree.
- A third option is that a private sector development partner be sought. The main benefit they can bring is the introduction of finance and carrying of risk. They could also provide resources to immediately move the project forward and not require further capital expenditure from the city council (e.g. on design work and condition survey). As part of the commissioned research, DCA spoke to a number of niche developers with experience of similar projects to soft market test what private-sector appetite there might be for the project. They received an enthusiastic response to the proposal and from developers who had interest in and motivation for providing innovative workspace. The key to making it work would be in ensuring that the development agreement would enable all partners to realise their ambition and vision for the project; allowing a degree of control for partners to ensure it goes on meeting the economic, innovation and sectoral needs that the project has set out to address. In the conclusions to their report, DCA suggest that this is the best option.

7.6 All of these options raise procurement issues and carry their own risks. As such they require development work, with the other partners, to analyse risk, costs and benefits, to be informed by DCA's work. The exact preferred route to achieving Option D can then come back to Cabinet for consideration.

SUPPORTING DOCUMENTATION

Appendices:

1. New England House, Brighton Digital media and Innovation Hub Joint Venture Vehicle Business Case, Executive Summary
2. Officer summary of the financial and property issues raised by the report

Documents in Members' Rooms

1. New England House, Brighton Digital media and Innovation Hub Joint Venture Vehicle Business Case, full report and appendices

Background Documents

1. London Road Masterplan SPD

