



Meeting or Decision Maker:	Cabinet Member for Economic Development, Education and Community
Date:	31 July 2018
Classification:	General Release
Title:	Somerset House Studios – Final Stage Space
Wards Affected:	All
City for All Summary:	Somerset House Studios – the Final Stage space will play a meaningful role in supporting creative and cultural enterprises
Key Decision:	No
Financial Summary:	<p>Economic Development proposes to invest £250,000 of NHB funding to support two interconnected aspects of Somerset House’s continued evolution as an incubator for the creative industries;</p> <ol style="list-style-type: none">1) Completion of the final phase of Somerset House Studios – space M15, M16 and M26 located in the mid-basement.2) Renovation of the Lancaster Rooms on the ground floor level of the New Wing to support Somerset House’s growing shared space programme <p>The programme will bring in to use an additional 367.14 m² of space, providing Somerset House with the capacity to host an additional 16 artists. It will also act as a designated space for hosting networking and skill-sharing events for the Somerset House resident community and wider public.</p>
Report of:	<p>Barbara Brownlee, Executive Director Growth, Planning and Housing.</p> <p>Westminster City Council, 11th floor, City Hall, 64 Victoria Street, London SW1E 6QP, 02076415949, bbrownlee@westminster.gov.uk</p>

Executive Summary

- 1.1 The two interconnected aspects of the Somerset House Studios – will bring into use 367.14 m² of space providing the capacity to host an additional 16 artists and will act as a designated space to support Somerset House’s growing public events programme. The space will host networking and skill-sharing events for the existing wider creative resident community and young people participating in the Creative Careers programme.
- 1.2 The locations of the proposed renovation (completion of studios M15, M16 and M26 and the Lancaster Rooms) are situated adjacent to what will be a new flexible creative workspace supported by the Mayor of London’s Good Growth Fund.
- 1.3 The proposal is for Westminster City Council to grant £250k of funding (from remaining NHB funds allocated to Enterprise Space Projects), to support the creation of the Somerset House Studios – Final Stage.

2. Recommendations

- 2.1 The Cabinet Member is asked to **approve**:
 - The submission of a deed of variation which re-profiles spend from the Marylebone Flyover to the Somerset House Project.
 - The transfer £250k of NHB funding currently allocated to Marylebone Flyover to Somerset House in the form of a conditional grant.

3. Reasons for Decision

- 3.1 The report proposes support needed for affordable space for start-up businesses. This will:
 - Continue to address the market failure of lack of affordable and flexible space for start-up businesses.
 - Support socio-economically disadvantaged residents who have entrepreneurial aspirations
 - Retain and enhance Westminster’s creative and cultural skills base
 - Create new jobs through increased business survival rates in start-up businesses, attract new start-up businesses to locate and stay in Westminster and add to the vitality of the local economy.
- 3.2 The proposed approach is similar to enterprise space created previously by Somerset House Studios, which has effectively supported entrepreneurs. The model has been compared with other local authority supported enterprise spaces and is found to secure significant economic impact and value for money.
- 3.3 In 2017, a feasibility study was completed for the conversion of Marylebone Flyover into an enterprise space. The study found that the amount of space created was too small to make a viable business case. As a result, the team have explored alternative projects that deliver the outputs required by the New Homes Bonus funding agreement and which can use investment before the deadline to return any unspent funds – the end of this financial year. The final phase of Somerset House meets these objectives and delivers the project outputs within the required time frame. The reallocation of funding has been discussed with the GLA, the original funders, and they are in agreement in principle of the Deed of Variation set out in Appendix C.

4. Background, including Policy Context

- 4.1 Despite the growth of start-up and co-working spaces in London in recent years, the lack of affordable, flexible workspace remains a major barrier to growth. This deficit in affordability and flexibility is frequently cited by small businesses as a key issue within Westminster.
- 4.2 It is neither practical nor financially viable for Somerset House and resident organisations to utilise the Lancaster Rooms to their full potential. This is, in the main, due to the necessity to rent and install power and lighting on a temporary basis for each event. Equally, the uneven flooring and lack of acoustic treatment have proven to be a development challenge. Approval of the grant would enable Somerset House to bring the Lancaster Rooms up to the same specification as the River Rooms. The River Rooms have been transformed by flooring, acoustics, lighting track, heating and improvements to layout.

Proposed approach

- 4.3 The success of Westminster's enterprise spaces including Great Western Studios (GWS), Hub Westminster and Somerset House Studios have demonstrated the value in partnering with experienced providers.

Expected results/outputs

- 4.4 The draft outputs below are determined on the Lancaster Rooms work taking place in September 2018 and the final Studios spaces in early 2019. The Good Growth supported new creative workspace is scheduled to open in early autumn 2019.

Key Output	Description	Quantity
New/improved commercial or business space (m2)	<p>M15 29.29 m² M16 54.61 m² M26 61.74 m² Lancaster Room 221.5 m²</p> <p>Three pieces of evidence are required for this, including:</p> <ul style="list-style-type: none"> • An architect's floor plan drawings showing floor space area. • Copy of completion certificate to demonstrate works undertaken. • Surveyor reports from pre and post completion of works. 	367.14 m ² in total
Match Funding Raised	This is the amount of match funding raised by Somerset House Trust in the period of this delivery agreement and includes a contribution from Somerset House.	£124,421
Quarterly Reports	Reports in a format agreed with the Council's Enterprise Manager provided on a quarterly basis by the 15 th of each new quarter. The Council will require high resolution photographs before, during, after the construction to use for use in communications purposes.	8
Case Studies	Detailed case studies of individual resident artists or creative enterprises supported by the Somerset House resident community, detailing the impact on their growth and development.	8
Joint working with WCC comms	Joint working with the Council's Communications team to promote the Council's role in the initiative, and local promotion of opportunities to residents. (Including flagging opportunity to apply for bursaries as part of the new Creative Workspace offer.)	Ongoing
Number of individuals supported	Capacity for an additional 16 artists in the new Somerset House Studios spaces. Thirty six resident events per annum, with an average attendance of thirty residents.	1096
Number of SMEs supported	Based on number of SMEs attending networking and skills development events and activities in the Lancaster Room, plus benefits to SMEs of public events in partnership with SH.	360

Public programme reach	Four x Somerset House Studios events per annum (4 x 220 attendees) One x durational Somerset House Studios installation (800) Five days x Photo London talks programme (5 x 5 x 150) Resident programme x 2 (e.g. Saturday Club Trust's annual showcase exhibition) (800)	6,230
Work placement coordination	Subject to additional fundraising, SH will coordinate five, nine month Creative Careers Academy work placements each year SH will work with City Lions and other partners to introduce shorter, taster work placements. In total circa. 800 young people will benefit from the Creative Careers programme each year.	5 Creative Careers Academy placements per annum + taster placements tbc (e.g. City Lions)
Creative Westminster	Provide space and support for the launch of Creative Westminster, an initiative that showcases the creative sector across Westminster. Additional budget will be provided for curating, managing and providing refreshments for this event.	1 event per annum for 2 years.
Impact Evaluation	Work with the Council and its independent evaluator to evaluate the social and economic impact of the project during and after the project.	1

Benefits to residents

- 4.5 The programme will provide opportunities for Westminster's young people to participate in a creative careers programme each year. Through proactively connecting with other Westminster partners, Somerset House will explore opportunities for engaging local residents with Somerset House programmes, for example; Westminster Enterprise Week, Eric Festival, Young Westminster Foundation and Westminster Kingsway College.

Policy Context

- 4.6 The project will play a meaningful role in supporting the City for All vision of a confident, tolerant Westminster, where everyone is able to share in the benefits of the borough's economic success. In particular, as new enterprise space the programme will back local businesses and create local jobs.
- 4.7 The project aligns with Priority two of Westminster's Enterprise Programme by providing high quality space to support job growth, business survival rates innovation and increased access to accelerator programmes. The programme also supports priority directives to work collaboratively with a range of partners to support the growth of a range of incubators, accelerators and co-working spaces in Westminster.
- 4.8 Westminster thrives on its economic diversity. Somerset House Studios – Final Stage will support a mixed and balanced economy through its focus on small start-ups. In supporting Somerset House Studios, the Council will demonstrate a clear commitment to small firms. The programme will also contribute towards place shaping - the unique site location of the proposed works is just off Waterloo Bridge. It will act as the shopfront to Somerset House.

Remedy Market Failures

4.9 The Global Cities Report (2016) and the OCED Innovation Strategy (2010) both recognise that start-ups and early stage businesses are a major driving force for job growth. Somerset House Studios – Final Stage will continue to address the following market failures and barriers to growth for start-up businesses in Westminster.

- Lack of affordable space: Westminster is one of the world's most expensive property markets, where rents and business rates may be too high for many start-ups and early stage businesses. CBRE has identified a drift of creative businesses eastward out of Westminster because of a lack of affordable and flexible space¹. The Mayor of London's London Office Review Panel (LORP) has expressed concern that sustained loss of offices, including the generally more affordable existing office stock, could erode the strategic offer of the Central Activity Zone as an internationally competitive and nationally important office location. Furthermore, the LORP states that supporting the availability of flexible and competitively priced accommodation for start-up businesses onwards should be a key consideration for policy makers.²
- Lack of space with flexible tenures – The GLA asserts that start-ups and early stage businesses often need enterprise space characterised by short and flexible tenures to manage their risks on growth trajectory and cash flow³. CBRE states that finding landlords willing to offer such flexibility can be challenging because short and flexible tenures are complicated, expensive and risky⁴. This would especially be the case in Westminster's high rent and business rates environment. There are serviced offices in Westminster that offer a degree of flexibility, but as Colliers has pointed out they typically require medium term commitments⁵. The Instant Group has found that serviced offices in Westminster are the most expensive in the country, averaging at £717 per desk per month, compared with the national average of £423⁶. Taken together, this may result in a shift of demand eastwards away from Westminster⁷. This is demonstrated in a proliferation of new enterprise spaces with short and flexible tenures in other boroughs such as Hackney (Tech City), Camden and Islington⁸ as highlighted by the London Enterprise Panel.
- Lack of spaces operating as business incubators - Survival rates and jobs created rise dramatically in spaces operating as business incubators, providing affordable flexible space with a proactive business support offer. For example, the GLA has cited that a typical business incubator in the UK creates an average of 172 full time equivalent jobs. The average five year survival rate of a business incubator is 87%⁹, which compares with 40% in Westminster and 42% in London for businesses in stand-alone space. This is highlighted in the Westminster Local Economic Assessment Baseline study (2015). Business incubators proactively support start-ups and early stage businesses with a range of services such as training, mentoring, access to markets and access to finance; and are increasingly being set up as co-working spaces to foster business-to-business interaction.

¹ CBRE, Creative London (2014)

² Mayor of London, Central Activities Zone Supplementary Planning Guidance, sections 1.3.2 and 1.6.2 (September 2015)

³ GLA, Supporting Places of Work (2015)

⁴ CBRE, Creative London (2014)

⁵ Colliers, South East Offices Snapshot (January 2016)

⁶ The Instant Group, UK Serviced Office Review (2015)

⁷ GLA, Supporting Places of Work (August 2015)

⁸ London Enterprise Panel, Growth Hub Workspaces Map (2016)

⁹ GLA, Supporting Places of Work (2015)

5. Financial Implications

- 5.1 The total investment requirement to establish Somerset House Studios – Final Stage is £250k of grant funding.
- 5.2 Other financial considerations are as follows:
- Somerset House generates an economic return.
 - There is sufficient budget remaining in NHB funds allocated to Enterprise Space Projects for this allocation.

6. Legal Implications

- 6.1 The proposal to re-allocate funds to Somerset House for promoting growth of business start-ups aligns with the Westminster's Enterprise 2 Programme and the City for All vision. The City Council is empowered under Sec 1 of the Localism Act 2011 to take any action for the welfare of its residents including the present proposal to re-allocate funds for development of Somerset House Studios Final Phase.
- 6.2 The City Council is obliged under the Grant Funding agreement with GLA for New Homes Funded Bonus LEP programme dated 16th June 2016 to use the grant funding as per the said funding agreement stipulations. The present proposals necessitate entering into a variation agreement to this funding agreement, as appended hereto and this variation has been discussed and agreed in principle with GLA.

7. Staffing Implications

- 7.1 The Business and Enterprise Programme Manager will provide a monitoring function to ensure Somerset House delivers the outputs set out in this report.

8. Consultation

- 8.1 The facility will serve residents and businesses across Westminster and therefore no ward member consultation has been undertaken.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

David Wilkins on 020 7641 1620 dwilkins@westminster.gov.uk

APPENDICES

- A. Conditions to secure local benefit
- B. Risk and mitigation plan
- C. Deed of Variation

NB: For individual Cabinet Member reports only

For completion by the **Cabinet Member** for Economic Development, Education and Community,

Declaration of Interest

I have <no interest to declare / to declare an interest> in respect of this report

Signed: _____ Date: _____

NAME: **Councillor David Harvey, Cabinet Member for Economic Development, Education and Community**

State nature of interest if any
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(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendation(s) in the report entitled Somerset House Studios – final stage and reject any alternative options which are referred to but not recommended.

Signed

Councillor David Harvey, Cabinet Member for Economic Development, Education and Community

Date

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:

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If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, City Treasurer and, if there are resources implications, the Director of Human Resources (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.

Conditions to secure local benefits

As outlined in the report, careful thought has been put into how the benefits of the facility can be optimised for residents. The proposed conditions for the loan and GLA finance to secure local benefit are as follows: Somerset House will:

- Actively work with the Council to promote the facility to local residents.
- Develop offers to make it easy for residents visit the space, receive business support and training, run their business from the space and be connected with the other entrepreneurs.
- Work with local schools colleges, local youth programmes and other local educational establishments to foster young entrepreneurial talent.
- Encourage all members of Somerset House to offer at least work placements or apprenticeship to a local residents.
- Develop scholarship and training programmes targeted at local residents with aspirations to start a business, particularly those who are disadvantaged.
- Reimburse the Council its funding contribution if there is a material under performance or any change of strategy by the facility.
- Work with the Councils' communications team to ensure the its role in the establishment and support of the facility is widely known, acknowledged and promoted.
- Support the creation of Creative Westminster a creative network within Westminster.
- Work with the Council and its contracted independent evaluators to evaluate the economic impact of the project.
- Provide tours of the space to the Council and its stakeholders, support the work of the Council and its stakeholders; and provide at least two uses of main event space by the Council per annum for the period of the agreements.
- Submit quarterly and annual monitoring reports on performance with compelling case-studies for the Council and its partners, including the GLA.

Risk and mitigation plan

The following table highlights key risk areas to the Council and the respective mitigation plans.

Risk area	Mitigation plan
Failure to deliver project outputs.	<p>The project outputs will be monitored by the Business & Enterprise Programme Manager via quarterly reports.</p> <p>Somerset House have a strong track record of delivering externally funded projects and have historically over delivered council targets through previous rounds of funding,</p>
Low demand for the new spaces.	Somerset House receive large numbers of applications for the current space within Somerset House. The council and Somerset House will effectively market the space to ensure the new spaces are utilised.
GLA not approving the Deed of Variation	Informal discussions have taken place with the GLA in relation to the Deed of Variation. Feedback has been positive and they are awaiting the Councils submission. The DoV has been agreed in principle.

See attachments