

CABINET	DATE 22.03.2017	ITEM NO: 8
TITLE: Woolwich Creative District	WARD(S) Woolwich Riverside	
DECISION CLASSIFICATION Key	28 DAY NOTICE Yes	
CHIEF OFFICER: Director of Central Services	CABINET MEMBER: Culture, Creative Industries and Community Well-being	

I. Decision Required

The Cabinet are requested:

- I.1 To agree to implement the project plan as attached in confidential Appendix I. This will deliver the last stage in fulfilling the expectations/requirements of the Cabinet agreement at its meeting of 16 April 2014 when it decided to support the regeneration and economic growth of Woolwich by purchasing leases of historic buildings to create a new cultural district at the Royal Arsenal in the town.
- I.2 To agree the budget for Phase I Capital works to Buildings 40, 41, 17, 18 and 19 at a cost of £31.59 million. A contingency and delivery budget of £11.16m is also recommended given the heritage nature of the buildings to be refurbished.
- I.3 To note that Cabinet are required to approve all capital projects with a Scheme and Estimate Value in excess of £20m.
- I.4 To note that officers are exploring the creation of a new trust, co-operative or Community Interest Company (CIC) to manage the site, which will include representation from the Royal Borough of Greenwich. A report detailing options will be taken to Cabinet in line with the timeline of the project plan. The trust, co-operative or CIC will be charged with ensuring tenants meet the strategic requirements of the Council to provide engagement through education and training opportunities as well as create skills and employment opportunities for local people.
- I.5 To note there will be costs associated with ensuring that any established trust is staffed and ready for business in 2018, which on the basis of a 12-month lead in period, could be around £0.7m. (see 4.1b). There are also potential costs associated with the relocation of the Royal Greenwich Heritage Trust from Building 41 to Building 18. A budget of £1m will be established to cover both these elements.

- 1.6 To agree to treat the information presented in the Appendices as exempt under the provisions of the Local Government Act 1972, Schedule 12A on the basis of 3) Information relating to the financial or business affairs of any particular person (including the authority holding that information).
- 1.7 To agree that the exempt information, presented in the Appendices will not subsequently be released to the press or public.
- 1.8 To note that the appointment of a project team, external quantity surveyor, architect-led design team and the procurement route terms will be delegated to the Director of Regeneration, Enterprise and Skills and Director of Central Services, in accordance with Contract Standing Orders.

2. Background

- 2.1 In 1997 the Ministry of Defence released the Royal Arsenal for development. Since then the Council, English Heritage (now Historic England), the London Development Agency and others have worked to create a new cultural district in Woolwich. The ambition for the site as originally stated in the London Plan to “play a key part in the transformation of Woolwich and of the Thames Gateway as a whole. By fully integrating with the rest of Woolwich, it will act as a catalyst for future regeneration.” This is the ambitious vision that the Council now aims to create with a new and exceptional creative and heritage district at the former Royal Arsenal munitions site. The district will have a significant economic impact on Woolwich and the surrounding areas and bring benefits to the whole borough, much as the Arsenal did when it was operational.
- 2.2 This development will help to reinforce the changing perceptions of Woolwich as a destination and mean that the benefit of Crossrail is more than providing a route out of the town, but a purpose for people to use Crossrail to come to Woolwich. It will support the economic and social development of Woolwich and its surrounding communities, particularly those of Plumstead, Abbey Wood and Thamesmead. The creative sector is highly productive on average 25% more than the London economy as a whole – Woolwich and its surrounding communities can benefit from this demand and growth through the creation of a significant number of new and varied apprenticeships, jobs and work experience opportunities. In addition to jobs in the development phase, it is anticipated that the first phase of the district will generate more than 400 jobs in a range of transferable skills including arts administration, set build, sound and lighting engineering, catering and facilities management.

- 2.3 In order to deliver this, Cabinet agreed at its meeting on 16 April 2014 to:
1. Acquire the leases of four buildings on the Royal Arsenal currently occupied by Royal Artillery Museums Ltd. (RAML)
 2. Identifying alternative cultural organisations to take over the tenancy of these buildings
 3. Working with these organisations and other stakeholders to deliver a plan for the establishment of the cultural quarter.

2.4 **Acquiring the leases**

The Royal Borough has now secured the leases of the four buildings on the Royal Arsenal site, known as Buildings 17 (The Cartridge Factory); 18 (Royal Laboratory Offices); 40 (Royal Military Academy); and 41 (The Ammunition Factory). It is planning to make these buildings available for creative and cultural use by organisations from within the Borough and beyond. The Heritage Lottery Fund provided substantial funding when the buildings were first identified for cultural/heritage use and the Council must continue to provide open access to the public for the same uses or risk being liable for claw back of some of the £5million that was originally provided. The Council has also acquired Building 19 (Gun Carriage Shop) to be included as part of the creative offer, specifically for use for a place-making show.

- 2.5 In total, these buildings will provide some 14,600 square metres of floor space, including around 4,000 square metres that can readily be used as flexible event space. A commercial restaurant overlooking the Thames is planned for the north side of Building 41 to generate revenue. The total useable space is comparable, if not larger, than the creative space provided in the South Bank Centre. The Royal Arsenal, over time, has the potential to stimulate the economy in a similar manner. The South Bank Centre now hosts excellent performance, rehearsal and public spaces and its influence and vibrancy have enabled activity to spread along the whole of the South Bank from the former GLC headquarters to Borough Market. That expansion opportunity is also available in Woolwich where the Spray Street development area and town centre provide scope for the spread of revived economic activity across the whole of the town centre. People will be encouraged to cross to the Royal Arsenal through a variety of means including commuting to Crossrail, community space/hiring/workshops, school performances, open rehearsals, cafes, pop-up markets etc.

2.6 **Identifying cultural organisations**

Detailed discussions have now been undertaken with a wide range of cultural organisations across the fields of music, dance, theatre, performance and

visual arts, all of which have expressed a desire to be part of the new district development. Details of these can be found at Appendix 5.

2.7 The group of organisations which are now planned to be the core of the creative companies based at the Arsenal include:

- A major international immersive theatre company that will establish the Royal Arsenal creative district with a two-year place-making show and then make its UK base there;
- Original core residents Dash Arts (theatre);
- Existing residents on the Arsenal site, Greenwich Heritage Trust and Academy Performing Arts;
- Other future residents which are already based elsewhere in the Royal Borough, including Protein Dance and Greenwich + Docklands International Festival
- Organisations from outside the Royal Borough planning to relocate some or all of their activities to the Arsenal including Tangled Feet (aerial theatre company) and Chickenshed (inclusive theatre company).

2.8 Together, the combined offer of these organisations offer the potential to create a vibrant new Creative District offering a range of activities. The venues could be operational seven days a week with shows, workshops, classes and leisure activities throughout the day and into the evening. The activities and benefits include:

- New performance space with the potential to host large-scale concerts and events.
- Location of offices and creation of a significant number of new and varied apprenticeships, jobs and work experience opportunities in the town.
- Public and schools engagement through creation, performance, presentation and curriculum specific activities
- Artistic workshops
- Location of rehearsal & educational space
- Community space for meetings, group activities and event hire for celebrations such as weddings.

2.9 Using standard methodology developed for use by the Arts Council and accepted as a reliable way of measuring the value of interventions, the economic impact of the Royal Arsenal is expected to be in the region of £30 million per annum during the period of the place-making show. See Appendix 8.

2.10 Delivery Plan

The Project Plan (Appendix 1) addresses the final recommendation of Cabinet; “to deliver a plan for the establishment of the cultural quarter.” Public engagement will begin immediately by the Council, cultural tenants and will be on-going engagement by the new trust. If this report is agreed a Communications Strategy will begin immediately to articulate the impact and benefits on the social and economic well-being of Woolwich and the Borough.

- 2.11 A RIBA Stage 1/2 report has been produced, led by architects working with M&E, acoustics, fire and risk and cost consultants. Harper Tackley acted as the Royal Borough's specialist client representative. This has been supported by a wide-ranging cultural operating policy and a sustainable financial model developed by Bonnar Keenlyside.
- 2.12 The brief was to review an earlier feasibility study and update it based on the principle of no major structural interventions and only an enhanced shell and core construction. In this respect, specific attention was given to roof repairs, insulation and acoustic treatments seeking environmental improvements and reduced energy. The heritage nature of the buildings concerned is such that many of these works would be necessary simply to preserve them as assets and the works would make them suitable for general use, thus maintaining and enhancing the value of the buildings.
- 2.13 It is proposed that the building development will be approached in two phases to accommodate a place-making show which is estimated to attract 200,000 visitors annually (based on current experience) and will run for two years from 2018/early 2019.
- 2.14 During the first phase, studio and venue space will be created in Buildings 40 and 41 whilst the show takes place in Buildings 17 and 19. Phase 2 proposals are to redevelop Building 17 with a simple venue and further studios once the place-making show closes, but these plans are indicative and will be responsive to the Phase 1 development.
- 2.15 A key development has been the discovery that the south range of Building 41 has a very high quality acoustic for classical and non-amplified music, which market research indicates will be in high demand for rehearsal, recording and performance.
- 2.16 A policy of carrying out minimal alterations so that the heritage aspects of the buildings become features in their own right has been adopted. This is known as adaptive re-use.

- 2.17 A dedicated, specialist trust, co-operative or Community Interest Company will be explored in order to govern and manage the site on a commercial basis. It is envisaged that this would ensure the Creative District meets the strategic requirement of the Council and would also broker deals with the tenants and other user groups. The Council would be represented on any such trust.
- 2.18 Based on wide-ranging research of the market for studio and performance spaces in London, a conservative business model has been developed with modest targets against use and discounted charges to take into account the need to establish Woolwich as a destination. On this basis, the annual income will be some £1.166 million, with gross returns to the trust in the region of £380k per annum. Once established, an income sharing agreement with any established trust would see revenue being returned to the Council.
- 2.19 Limited funds are available for capital projects. Arts Council England capital funding is not available for projects in London, the focus is on regional projects and schemes, however project funding is available and we have already been successful in securing £270k over 3 years for Woolwich as part of an Arts Council Cultural Destinations bid. We will be vigorously exploring all other funding sources and are in discussions with Historic England.

3. Conclusion

- 3.1 Cabinet agreed at its meeting on 16 April 2014 to:
1. Acquire the leases of four buildings on the Royal Arsenal currently occupied by Royal Artillery Museums Ltd. (RAML)
 2. Identifying alternative cultural organisations to take over the tenancy of these buildings
 3. Working with these organisations, Berkeley Homes and other stakeholders to deliver a plan for the establishment of the cultural quarter
- 3.2 The leases have been acquired and detailed discussions have taken place with a wide range of cultural organisations across the fields of music, dance, theatre, performance and visual arts, all of which have expressed a desire to be part of the new district development.
- 3.3 The Heritage Lottery Fund provided substantial funding when the buildings were first identified for cultural/heritage use and the Council must continue to provide open access to the public for the same uses or risk being liable for claw back of some of the £5million that was originally provided.

3.4 Using standard economic methodology, it is expected that an economic impact of £30 million could be generated during the period of the place making show with the prospect of significant long term economic growth over the life of the quarter.

3.5 The Royal Arsenal Creative Quarter Project Plan 2018 – 2020/21 (Appendix I) details the plan for the establishment of the Quarter that will be:

- Be deliverable within a reasonable timeframe and budget, with demonstrable value for money
- Deliver the “place-making” vision of a nationally significant and internationally acclaimed cultural destination, helping to transform the image of Woolwich as a vibrant and exciting place to live and visit
- Provide engagement through education and training opportunities as well as access to high quality arts creation and performance for local communities
- Provide spaces for use by local communities at affordable prices for a wide range of activities from informal classes to wedding receptions.
- Be sustainable in the longer term without recourse to significant operational funding
- Create skills and employment opportunities for local people in all aspects of the creative industries including administration, facilities management, design, hospitality and performance

4. Financial Implications and Director of Finance Comments

4.1 The report seeks Scheme and Estimate approval to a project at a cost of £31.59 million with a contingency and delivery budget of £11.16m for the establishment of a Creative District in Woolwich, utilising a number of buildings acquired by the Authority on the Royal Arsenal site.

Capital Works

4.2 Following Cabinet approval to progress with the creation of a cultural quarter in Woolwich (16 April 2014) feasibility work was undertaken to develop proposals for a viable and sustainable scheme. Capital costs associated with the project as estimated by the project cost consultants, and as detailed in

Appendix 2, are £31.59m for the works and £11.16m for the contingency, which breaks down as follows:

Item	Cost Estimate (£m)
Inflation Risk	1.000
Design Risk	2.987
Design Fees	5.446
Client Contingency	1.729
Total	11.162

Other Relevant Costs

- 4.3 As set out in paragraph 2.17 of the report, there will be costs associated with ensuring that the future operating entity is established in advance of the opening in late 2018. On the basis of a 12-month lead in period, the anticipated cost is approximately £0.7m. There are also potential costs associated with the relocation of current tenants. The sum of £1m is to be set aside to cover both these elements.
- 4.4 Intermediate holding costs of the acquired buildings will also continue to be incurred prior to the completion of the scheme; these include site security, rates, utilities and maintenance. £0.75m is to be set aside for these costs.

On-going Revenue Costs

- 4.5 An experienced placemaker has been employed by the Authority who has identified a number of suitable tenants and tenancy types for the site including rental rates commensurate for this part of London. These will resource the on-going activities of the new venture once operational.
- 4.6 The project plan (appendix 1) has been reviewed and benchmarked as providing a prudent and sustainable model for the new venture on a whole life cost basis utilising the income assumptions underpinning 4.5 above.

Financing

- 4.7 The scheme requires £31.59 million and a contingency and delivery budget of £11.16m for the delivery of phase 1 of the capital works. This can be resourced from secured capital receipts, approved disposals and underwriting from the Councils sound financial standing, in accordance with the principals set out in the Budget and Council Tax setting report to Council dated 22 February 2017. Where future receipts will be used to replenish the

Authorities reserves, this will be managed through the Capital receipts strategy and constitutional reporting requirements.

- 4.8 Funding for the £1.75m associated cost requirements noted in 4.3 and 4.4 above, will be resourced from identified reserves and established revenue budgets, separately from the allocated resources set out in this report.
- 4.9 The on-going operation of the delivery venture is to be sustained through income derived from the assets.

Risk

- 4.10 The project is underpinned by the Authority's ability to secure an anchor tenant for the site. Negotiations are on-going with a major immersive theatre company and heads of terms have been drafted. If a lease were not to be secured the Authority, or operating venture, would be required to find a suitable alternative body that would meet the vision and aims of the project.
- 4.11 Should an anchor tenant not be identifiable, individual agreements could still be entered into with the organisations set out in 2.5 and similar bodies thereby securing revenue for the operation of the site. This could be supplemented by alternative uses, however it is unlikely to generate the level of anticipated benefit to the local economy. Progress on the lease negotiations will be monitored as part of the project, and any operating implications will be built into future revenue budgets.
- 4.12 Further, as noted in 2.12, a proportion of the works outlined in the appendix 2 serve to preserve the Heritage assets, and would therefore be undertaken irrespective of its future use.
- 4.13 The risk of securing capital receipts from approved disposals in-line with the project cash-flow will be managed through the wider Priority Investment Programme, Capital Receipts Strategy and financial standing

Trust

- 4.14 Any decision to transfer the operation of the new venture to a trust would be subject to a separate report, which would need to ensure that the council was not exposed to any irrecoverable VAT elements.

5. Comments of the Head of Legal Services

- 5.1 Contracts for the Phase I works will be let in accordance with EU and UK procurement law, together with the Royal Borough's Contract Standing Orders.
- 5.2 External legal advice is being sought on whether a trust or Community Interest Company would be the most appropriate governance model for managing the site in order to secure the objectives set out in this report together with the detailed terms of the chosen model.

Background Papers

“Royal Arsenal Heritage and Cultural Quarter” [Report to Cabinet 16th April 2014](#)

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