

Krowji Phase 2: Summative Assessment Summary Report



JOHT Resources Ltd

**with
Moore Economics Ltd**

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JOHT RESOURCES
LIMITED
MOOR
economics

Summative Assessment of Krowji 2 Summary Report

Krowji Phase 2 – the project

Krowji is a hub for creative businesses in Redruth, Cornwall, providing workspaces and meeting space within an environment managed by Krowji Ltd for the benefit of its occupants. Krowji Ltd (a wholly owned subsidiary of Creative Kernow) converted the former Redruth Grammar School into workspace. Initially the main school buildings were converted. Then, with EU funding support, a new building was erected and completed in 2014, which doubled the amount of studio space available to around 120 studios. This evaluation concerns a Phase 2 of development, extending the previous new building by a further 21 new studios with associated shared facilities, corridors and connections. Phase 2 has also been supported with EU funding (European Regional Development Funding) and this evaluation has been undertaken in line with the Summative Assessment requirements of that funding. The evaluation has been undertaken for Krowji Ltd by JOHT Resources Ltd, working with Moor Economics Ltd.

It is important to note that it has taken place during Covid-19 lockdown. This has had practical implications for the evaluation itself, in terms of contacting stakeholders and tenants for discussions. More importantly, its potential impact for businesses in the creative sector is currently uncertain - it could impact on the extent that the intended wider impacts from this project are provided, or certainly the timing of those wider impacts. Our findings from the evaluation need to be set in this context.

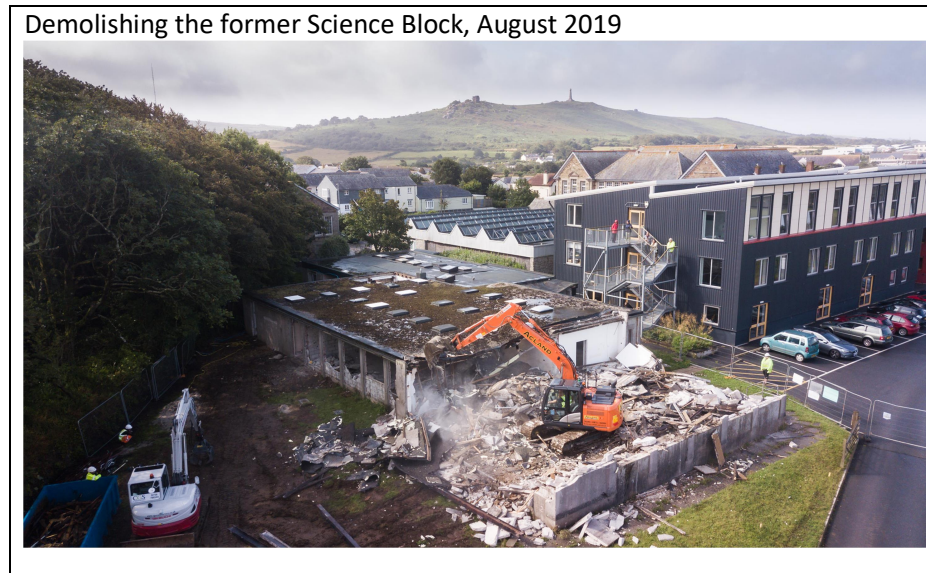
Phase 2 is a total cost of £2.05million, with the European Regional Development Fund (ERDF) providing a grant of £1.45million. It has involved the demolition of the old Science Block and its redevelopment with a larger new building to high quality and high environmental standards (aiming for a BREEAM excellent rating), with retention of a small number of workspaces from the Science Block. The design and development of Phase 2 has learnt considerably from the construction and operation of the earlier new building. This has translated into construction improvements for Phase 2 (e.g. in relation to sound insulation, window functionality).

Context for the Phase 2 project

The development has been set in the context of the creative sector as a fast growing sector nationally, and one that is also supported locally (e.g. through Cornwall Council's Culture White Paper 2019 and in the Cornwall and Isles of Scilly Local Enterprise Council's '10 Opportunities' (10 key sectors identified as having a critical role in growing the local economy). Our discussions with several stakeholders confirmed the view that the overall relevance of this context remains – although the impact of Covid-19 could change this situation.

Krowji operates consistently at over 90% occupancy and has a waiting list for tenants. Whilst other studio spaces are available in West Cornwall, our evaluation consultations indicated the factors differentiating Krowji as including the mix and creative diversity of practitioners on site, encouraging sharing of ideas and experiences as well as working on joint projects and freelancing between tenants; the strong level of support given to tenants by the Krowji management team; and the open, accessible and informal nature of the facility. These factors were highly valued by the tenants we spoke with.

Our conclusion is that Phase 2 remains relevant in the light of policy and economic circumstances, given the ongoing high demand for space at Krowji and the wider supportive policy environment. What we cannot currently say though, is what the impact of Covid-19 may now be in terms of influencing demand for workspace.



Meeting Phase 2 Project Targets

Phase 2 has one ERDF target to meet, which is the workspace created. Construction had been on target to achieve this by mid-August until the Covid-19 lockdown. Whilst construction work has now been resumed, this is on a restricted basis to enable appropriate distancing on site and will impact on delivery timescales, with completion currently estimated for October/November (but still within the current calendar year). The workspace will be completed and delivered in line with the target, but the uncertainty is exactly when this will be. In turn, this has delayed spend on the project and affected it's spend profile. The level of capital spend is quite low so far, and below profile (33% of total capital budget - rather than 44% - as at April 2020 claim). Discussion indicates that the more expensive construction elements are still to come and therefore the expectation by Krowji Ltd is that the project should still be completed in line with budget. This will need careful ongoing monitoring for the remainder of the construction period.

Delivery and Management

The Phase 2 project has a project management team, comprising a project manager appointed by Krowji Ltd, Krowji Ltd staff and Director representation and main contractor representation, who meet monthly. This reports to the Krowji Ltd Project Management Board for Phase 2, comprising Directors and staff representation with one external representative. It also meets monthly and one week after the management team meetings. Our evaluation conclusion is that this structure has proved to be a robust and well managed approach which has allowed for timely management and ability to deal with issues as they arise as well as take decisions. It is also clear that Phase 2 management has benefitted from learning from the earlier building construction project.

The Project Manager was appointed very early in the design process and this was valuable in the subsequent management of the construction process.

The Project Management Board benefits from members who have strong and relevant skills sets for effectively managing a construction project. The Krowji staff have taken a positive approach to communications on progress with tenants and neighbours and day-to-day management of tenants in relation to construction work. More broadly, our discussions also identify that the supportive Krowji management style and relationships with tenants is an important part of its success and will be important for Phase 2 and its integration into the overall Krowji workspace offering.

In terms of the ERDF horizontal principles, sustainability is core to Phase 2 and the building is intended to be one which is economic to manage and maintain (and more so than the former Science Block). The building is fully accessible, and the studios can be tailored to individual requirements, supporting equal opportunities and non-discrimination. On a wider point, Krowji's letting policy is to be as inclusive of all creative practices as far as possible and practicable.

Economic Impacts attributable to the project

Krowji Ltd set out two outcomes for the Phase 2 project. The first is increased workspace for creative businesses which will be directly met through Phase 2, increasing by at least 13 (net) additional studios. In practice this number could be exceeded. Krowji Ltd has also recently taken on a former builders' yard in Redruth for practitioners who need more space or carry out noisier/dustier activities than can readily be accommodated at Krowji. With some relocations from Krowji to the builders' yard, plus revamping of some spaces within existing Krowji buildings, there should be more studios overall within the Krowji umbrella.

The second outcome is increased retention of graduate talent, something which Phase 2 could only achieve indirectly by virtue of providing studio space which graduates could use. Krowji Ltd seeks to support graduates where possible and is planning to do this in Phase 2 by making one large studio available to four graduate tenants on a shared basis. This is being facilitated through the Cultivator project that is managed by Creative Skills (also part of Creative Kernow) and which has a graduate start up strand of activity. This will need to be monitored to understand how the project achieves against its objective of supporting graduate talent.

Three intended (and interlinked) impacts were also set out for Phase 2, all of which it would indirectly contribute to and over the longer term (and beyond the Phase 2 project timescale) once the building is tenanted.

- Firstly supporting the growth/strengthening of the creative industries sector. Our discussions for the evaluation indicated this should be achieved both through new tenants on site and their business development experience from the benefits of a Krowji location; and through the wider role of Krowji acting as an important hub for creative businesses. Phase 2 should will add to this role, with the increased scale providing benefits of visibility, awareness etc.

- The second intended impact is to contribute to reinforcing the creative industries hub/cluster at Krowji, which should be achieved through new tenants adding to the mix of businesses on site and importantly, the atmosphere on site.



- The third impact is to have a long term positive impact on the local economy, which our evaluation can only qualitatively comment on. However the experience of current tenants in terms of business development and creative practice is positive and this should apply to prospective tenants too. The impact of Covid-19 could affect the extent to which impacts are achieved, longer term. However our discussions for the evaluation were surprisingly optimistic in spite of this.

Value for Money

Our assessment is that, on a quantitative basis, the value for money of the building – as measured on a cost per m² basis - does appear to be broadly comparable to the benchmark data we have reviewed. On a qualitative basis, discussions with stakeholders illustrated that they felt the project was being delivered on a robust basis, delivering value for money given it will create a cost efficient and high quality building. The value for money also needs to be considered over the long-term, with the objective that it will result in lower operational costs over time.

Learning from the Phase 2 project experience

A number of learning points were drawn out from the evaluation. For Krowji Ltd, two points are drawn out: the opportunity to draw experience from both Phase 1 and 2 together as a case study resource which could be made available to others considering similar projects; and the need for global pandemics to be considered as a potential risk for future developments (also relevant to any construction project).

For those considering similar projects, four learning points are drawn out:

- The importance of a robust management and delivery structure and the value of a strong set of relevant skills and fully engaged representatives in any management group
- The importance of fully understanding the cashflow implications of a construction project, particularly where external funding is paid in arrears, and making appropriate provision for working capital to manage the implications if needed
- The importance of the Project Manager role and bringing this in at a very early stage in the project
- The value of proactive management and good relationships with any existing tenants and neighbours through communications and information, to manage any disruption caused.

For policy makers an important learning point is that there can be inherent risk in some projects, but that sometimes this risk needs to be accepted as the returns can be quite high – as has been the case for Krowji through the first investment in Phase 1. The risk taken in funding Phase 1, which then proved a successful project now also means that plans for Phase 2 could be developed with more confidence and certainty with regards to demand from creative businesses, as well as the type of workspace and support they value. However, it is again important to recognise that the risk has not entirely been removed and may be impacted now by Covid-19.

One further and important conclusion from this evaluation is the value and importance of the management style at Krowji, which is very supportive of its tenants. The management team are themselves creative practitioners and their approach is clearly an integral aspect of Krowji's success. It is clear that Krowji is supporting business growth and development. We recommend that Krowji Ltd build up more systematic evidence on this to give added evidence and weight of the economic impacts of Krowji.