

**Report of Director of City Development**

**Report to Executive Board**

**Date: 24<sup>th</sup> July 2019**

**Subject: Creative and Digital Workspace Fund**

**Capital Scheme Number: [33054/LMC/000 TBC]**

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s): Chapel Allerton, Burmantofts & Richmond Hill and Little London & Woodhouse		
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Will the decision be open for Call In? (*With reference to recommendations 6.3(a) & (c) please see below)	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No*
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, Access to Information Procedure Rule number: Appendix 2 - exempt from publication, under the provisions of Access to Information Procedure Rule 10.4(3)		

**Main Issues**

At the Executive Board meeting of the 27 June 2018 the Director of City Development was requested to work up plans to support the delivery of workspaces for creative and start-up businesses in the city centre. Executive Board subsequently agreed to the formation of a £1m Creative and Digital Workspace Fund as part of the 2019/20 Capital Programme.

This report informs Executive Board on the results of independent research and a 'call for evidence' undertaken into workspace for the creative and digital sectors in the city centre/city centre fringe. Through this evidence the report identifies market failure related to some types of creative businesses being priced out of city centre locations. Those creative businesses where affordability is a challenge includes businesses involved in creative production and arts/design which are an important part of the mix of a young dynamic city economy, part of the wider ecosystem associated with the move of Channel 4 to Leeds and which will contribute to Leeds 2023.

This report requests Executive Board to approve in principle three early investments which seek to address this market failure for these types of creative business, namely:

- Leeds Media Centre in Chapeltown, Chapel Allerton Ward

- Leeds Arts Hostel in Mabgate, Burmantofts & Richmond Hill Ward
- Hope House in Mabgate, Little London & Woodhouse Ward

These projects have been identified based on tackling the market failures; the fact that substantial and time limited match funding is potentially available for all, but also due to their potential to secure long term sustainable solutions in areas where creative businesses are at high risk of displacement due to market forces. Funding these projects will, for example, help to secure the long term role of arts and culture in Mabgate – an area previously reported to Executive Board as an area requiring further exploration.

The report also includes Appendix 2, which it is recommended is exempt from publication, under the provisions of Access to Information Procedure Rule 10.4(3). It has not been possible to give notice of the intention to hold a meeting or part of a meeting in private at least 28 clear calendar days prior to this Executive Board meeting. However, the reason why the meeting is urgent and cannot reasonably be deferred together with confirmation of the agreement of the chair of the relevant Scrutiny Board is included in this report.

### **Best Council Plan Implications**

The Creative and Digital Workspace Fund supports the ambitions set out in the Leeds Inclusive Growth Strategy 2018-2023 which provides a framework for how best to deliver growth that is inclusive and benefits all of our citizens and communities. The Strategy sets out 12 Big Ideas as a blueprint for delivery, including a commitment to support places and communities to respond to economic change, back innovators and entrepreneurs, and to maximise the economic benefits of culture.

### **Resource Implications**

To allocate a total of £900,000 capital grant funding to three early investments and authorise £500,000 of Council borrowing to be repaid through additional rental income.

### **Recommendations**

Executive Board is requested to:

1. Note the findings of the Council's research and confirmation by the recent call for evidence.
2. Approve the decision to use the Creative and Digital Workspace Fund to support projects which enable the not-for-profit sector to refurbish and secure the long term future of affordable workspace for creative industries in City Centre/ City fringe locations.
3. That subject to the information contained in exempt Appendix 2, the Executive Board approve in principle the Council's support for, the first three projects: Leeds Media Centre, the Leeds Arts Hostel and Hope House.
  - a. Leeds Media Centre. Provide a grant of £800,000 to the Council's operator, Unity Property Services Limited, (with £300,000 allocated from the Creative and Digital Workspace Fund and £500,000 funded directly by the Council

which will be offset by an increase to the rent paid to the Council by the Unity Property Services Limited. Unity Property Services Limited will then use this £800,000 capital contribution as match funding to deliver a £1.6m refurbishment and reconfiguration of the premises.

- b. Leeds Arts Hostel. Provide up to £150,000 grant to East Street Arts to support the strategic relocation of the Leeds Arts Hostel to Mabgate.
  - c. Hope House. Provide up to £450,000 grant to Music and Arts Production Leeds to secure the long term future of Hope House as a creative workspace and as a contribution to the proposed refurbishment
4. Note that the Director for City Development will be responsible for implementing the recommendations above.
  5. Based on recommendation 3, above, to approve the Director of City Development finalising the detailed terms before entering into the new contracts and funding agreements associated with Leeds Media Centre, the Leeds Arts Hostel and Hope House.
  6. Note that the Director for City Development will seek to support further requests for assistance to sustain and improve the provision of creative workspace through the remaining £100,000 in the Creative and Digital Workspace Fund and remaining funds in the Tech Hub Fund.
  7. The decisions taken by the Board in respect of recommendations 3(a) and 3(c) above to be exempted from the Call In process, for the reasons of urgency, as set out in paragraphs 4.5.5 to 4.5.8. The decision taken by the Board in respect of recommendation 3(b) above will remain available for Call In.

## **1 Purpose of this report**

- 1.1 This report seeks to inform Executive Board on the results of independent market research into the provision of workspace for the creative and digital sector in the city centre/city fringe.
- 1.2 The report seeks approval for a number of investments to sustain and enhance the provision of creative workspace in locations where this provision is considered to be at risk.

## **2 Background information**

- 2.1 At the Executive Board meeting of 27 June 2018 the Board considered a report outlining the risks of a lack of affordable creative workspace within Leeds City Centre. The report recognised that some progress was being made regarding the delivery of new creative workspaces in the city, but that there were risks of businesses being priced out of the city centre. The issue was reinforced by the feedback coming from SMEs and start-ups through discussions and consultations relating to the regeneration of the South Bank area.
- 2.2 Executive Board agreed that the Director of City Development be requested to work with stakeholders in order to develop longer term plans to support the delivery of workspaces for creative and start-up businesses in the city centre through a Call for Evidence, to inform the creation of a small grants programme as part of the consideration of the Capital Programme for FY 2019/20. Executive Board subsequently agreed to the formation of a £1m capital grants programme.
- 2.3 At the June 2018 Executive Board the Leeds Inclusive Growth Strategy was adopted by the Council. The Leeds Inclusive Growth Strategy sets out 12 'Big ideas' which aim to deliver growth that is inclusive and draws on the talents of the citizens of Leeds as well as delivering benefits to every community within the city. The Strategy sets out that 'we will also support spaces and initiatives that incubate small businesses, recognising that these firms are getting priced out of parts of the city centre and that the Council would consider how best to use its assets and investments to support small business growth'. Leeds Culture Strategy objectives include the ambitions for 'Leeds to be at the forefront of cultural innovation, making the most of new technologies' and 'to create an environment where new cultural organisations can flourish'.
- 2.4 In early 2019 Leeds City Council commissioned research on creative and digital workspace provision within the city centre and surrounding fringe areas. Alongside a 'Call for Evidence' seeking feedback and views from the sector. The study area covered the whole of LS1 and selected areas of LS2, LS3, LS9, LS10 and LS11. The report provides the current picture for businesses working in the Creative and Digital Industries (CDI) in Leeds. The main headlines include:
  - The CDI comprises a diverse collection of businesses ranging from digital technology, marketing, advertising and broadcasting through to collectives of artists, makers and other creative producers.

- Across the various CDI subsectors, Leeds is currently experiencing growth in the region of 20 new businesses per month within the city centre area. In addition, the report sets out that a search of CDI SIC codes produces 1,329 businesses located within the study target area (February 2019). The majority of these businesses are young, with 53.7% less than 5 years old and a further 25.2% less than 10 years old. The growth in digital and creative industries is mirrored nationally, growing significantly faster than the economy as a whole.
- Leeds has experienced an increase in high quality serviced offices and co-working spaces in the City Centre over recent years. These are small work spaces which provide a range of high quality services in return for a combined rental & service charge of between £50 to £100 psf. This space is in demand and is popular for a number of digital businesses which have modest space requirements and need to trade from a good quality city centre location with easy access to other creative businesses.
- There are other creative businesses typically involved in creative production, arts and design who require easy access to other creative businesses/creative professionals and hence favour a city centre/city fringe location but who cannot afford city centre charges. These businesses typically pay less than £20 psf for rents & services. There is a shortage of workspace for these types of creative businesses and pent up demand from new/young businesses to secure affordable premises in the city centre or city fringe areas.
- Many of the employees or owners of these businesses are operating portfolio careers, combining their own work with short term contracts in commercial, community and educational settings. In addition to the direct role of their own businesses in the economy they are delivering significant social returns for the city. These creative businesses (which require basic workspace) have historically migrated to city fringe areas because rents have typically been comparable to industrial rents (less than £10 psf) with minimal service charges. However, the amount of available workspace in fringe areas is coming under threat as the city centre expands and land prices rise, with many landowners capitalising on this increase in land values. Indeed, a number of businesses have contacted the Council with concerns over the future of Mabgate as a location for creative businesses.
- There is also a need to invest in incubation space for creative businesses in affordable locations close to the city centre for businesses who may not be able to afford city centre rates, particularly geared to new businesses (those less than three years old) who are at the early stages of their business development.

2.5 In summary the research identifies pent up demand and a lack of provision of creative workspace in the city centre and lack of more affordable creative workspace in the city fringe locations for certain types of creative businesses (artists, those involved in creative production). The research report noted that landowners and workspace operators are unlikely to develop work space for these types of business without public funding support. The research report highlights where the public sector has provided funding over recent years to support the

growth of not for profit operators of these types of creative workspace who are often well placed to provide additional provision. The report recommends that the Council explores further how through modest public funding creative workspace provision can be improved in city centre and city centre fringe locations.

### **3 Main issues**

- 3.1 The research highlighted in section 2.4 identifies pent up demand for affordable creative workspace in close proximity to the city centre. Those businesses where affordability is a challenge includes businesses involved in creative production, arts/design and creative occupations which are an important part of the mix of a young dynamic city economy, part of the wider ecosystem associated with the move of Channel 4 to Leeds and which will contribute to Leeds 2023.
- 3.2 The Leeds Inclusive Growth Strategy 2018 – 2023 provides a framework for how best to deliver growth that is inclusive and benefits all of our citizens and communities and sets out 12 Big Ideas as a blueprint for delivery. Supporting the creative and cultural sector is a key part of the strategy because the sector is a vital part of the Leeds economy and generates £1.42 billion in value, representing 7% of the total economy. Not only is the culture sector vital for our economy, it also outperforms the national picture in terms of productivity. A report from Arts Council England shows the arts and culture sector in Yorkshire and Humber was more productive than any other region in the country, and twice as productive as London.
- 3.3 On the 27 June 2018 Executive Board requested that the Director of City Development work up plans to support the delivery of affordable workspaces for creative and start-up businesses in the city centre and city centre fringe locations. Executive Board subsequently agreed to the formation of a £1m Creative and Digital Workspace Fund as part of the 2019/20 Capital Programme.
- 3.4 With a greater understanding of the specific challenges within the sector, there is now an opportunity to collaborate further with creative businesses to develop long term plans to address the identified issues. Notwithstanding the need for longer term plans, there are three immediate time limited opportunities which start to address the issues identified in section 2.4
- Leeds Media Centre in Chapeltown, Chapel Allerton Ward
  - Leeds Arts Hostel in Mabgate, Burmantofts & Richmond Hill Ward
  - Hope House, in Mabgate, Little London & Woodhouse Ward

#### **Leeds Media Centre**

- 3.5 Leeds Media Centre (LMC) is a workspace centre owned by the Council which was originally established in 2001 to provide affordable business accommodation aimed at the creative and digital sectors. LMC has been managed on the Council's behalf for the last eleven years by a social enterprise (Unity Property Services Ltd, a community benefit society trading under the name Unity Enterprise) which specialises in managing multi-tenanted workspaces in the

Chapelton and Harehills area. As part of the arrangement the LMC was leased to Unity Property Services Limited at a peppercorn rent. An opportunity has arisen via the European Structural and Investment Funds (ESIF) programme to invest in LMC to ensure it continues to provide affordable workspace aimed at the creative and digital sectors for the next 25 to 30 years. The property will soon be in need of significant investment and there also is a timescale imperative to apply for the ESIF funding and to confirm the match funding provided by the Council, otherwise this major funding opportunity may be lost.

- 3.6 LMC has proved a popular small business centre with affordable rents in close proximity to the City Centre. Occupancy has been around 85% of the lettable space and the Centre has acted as a small scale hub for creative & digital businesses. The centre currently has a number of building related issues and has some internal space which has proved difficult to let since the centre was created. The proposed project will reconfigure this space into a new business incubation facility and some new grow on units to support new entrepreneurs. The aim of the project is to upgrade the premises and create new lettable space to support new/young creative businesses.
- 3.7 The LMC project will cost £1.6m and it is proposed that this is financed through £800,000 of European Structural Investment Funds and £800,000 of Leeds City Council Funds. It is proposed that of the £800,000 of Council funds, £300,000 is provided via the Creative and Digital Workspace Fund with the remaining £500,000 funded by way of a grant from the Council. The latter grant will be financed by borrowing and offset by an increase in the net rental income charged to Unity Property Services Limited under their new lease over a 15 year period.

### **Mabgate Area**

- 3.8 The Leeds Arts Hostel and Hope House are based in the Mabgate area of Leeds on the northern fringe of the city centre. Over the past decade the area has become the home to a vibrant and vivid mix of creative industries and new small businesses. These activities have brought much needed productive uses and vitality to what was, until the 1990s, a traditional employment area centred on the woollen industry. The Inclusive Growth Strategy's 12 Big Ideas includes 'Supporting Places and Communities respond to economic change' and despite the infusion of these creative industries it is clear that this sector is under threat from other sectors able to afford higher land values. Both projects, but Hope House, in particular, support putting Employers and People at the centre of the Education and Skills System – another of the Inclusive Growth Strategy's Big Ideas. Music and Arts Production Leeds (MAP), a charity who operate from Hope House, provide a unique environment for young people between 11-16 years old who have difficulty in accessing school to hone their artistic talents to BTEC standard, whilst working alongside small businesses working in the creative industries sector.
- 3.9 Mabgate also symbolises some of the challenges and opportunities identified by the Leeds Culture Strategy 2017-2030 and its aspiration for the city to become a Place of Many Destinations, including the need to:

- Protect the creative spaces that already exist as well as creating new spaces and venues.
- Balance the need for income and commercial return with the need to provide affordable work space, meetings venues and community spaces for vital cultural activities to take place.

3.10 The proposed Leeds Arts Hostel, for example, will offer affordable accommodation for artists and a conspicuous attraction for visitors to the city. In addition to educating a new generation of artists, a refurbished Hope House will provide affordable accommodation for creative and small business, some of whom have faced displacement due to development pressures and the inability of current national planning policy to adequately safeguard some employment uses. The proposals for Leeds Arts Hostel and Hope House below will provide a robust regeneration inspired response to the displacement of creative businesses within Mabgate and will help to retain cultural and employment activities that provide the city with considerable vibrancy and social value.

### **Leeds Arts Hostel**

- 3.11 The Leeds Arts Hostel will provide affordable temporary accommodation for visiting artists, performers and visitors looking for a particular cultural experience. The Arts Hostel operator, East Street Arts (ESA), operated a “pop up” arts hostel in the city centre between 2016-18. This proved highly successful attracting over 6,000 bookings per annum. The hostel closed in 2018 due to the planned redevelopment of the site by the property owner. ESA have identified and acquired alternative premises at New York Studios adjacent to ESA’s headquarters at St Patrick Studios in the Mabgate area. The project proposes to renovate these premises at a cost of approximately £250,000. It is proposed that the Council supports this development, as part of increasing and diversifying the accommodation offer in the city, with a capital grant of up to £150,000 (with the remaining funds to be raised by ESA).
- 3.12 ESA is a registered charity based in Leeds with a 25 year track record of providing support to over 20,000 artists through the utilisation of vacant spaces to showcase art galleries, studios and events. ESA have created and currently run 78 permanent studio spaces for artists across the country.

### **Hope House**

- 3.13 Hope House is a grade II listed building in the Mabgate area in need of extensive renovation. Since 2008 the property has provided basic workspace accommodation to creative businesses and has provided the base for the Music and Arts Production Leeds (MAP) charity. MAP is a creative education provider working primarily with young people not thriving at school. MAP is the currently the anchor tenant in Hope House and is the operator for sub-letting the other creative workspaces in the building. Hope House is up for redevelopment and MAP has well-developed plans to purchase the building and carry out an extensive refurbishment of the premises which will increase the available workspace for creative businesses. It is proposed that the Council supports this development on the basis that it will enhance creative workspace provision,



support MAP's work with young people, and will renovate a grade II listed building which is at risk. The refurbishment costs have been estimated at £1.1m and it is proposed that the Council provides a grant of up to £450,000.

- 3.14 MAP was founded in 2007, the organisation has to date raised £200,000 towards the Hope House refurbishment costs and has negotiated the purchase of the House facilitated by three social investors with a track record of securing private sector investment for social and creative enterprises. It is proposed that the remaining refurbishment funds are raised by MAP through a variety of sources, but that the Council will continue to work with them to identify potential sources of public funding including European funding.
- 3.15 The three projects in this report will support the Inclusive Growth Strategy ambition of 'Maximising the Economic benefits of Culture' and seeks to achieve this by growing the cultural and creative sector as well as boosting creativity across the wider economy, education system and within communities. Within places such as Mabgate and Chapeltown, which are both Priority Wards, deprivation and the negative impact of a two speed economy are still apparent, albeit there are strong local networks and considerable entrepreneurial capacity in these areas. Thus, the Inclusive Growth Strategy's commitment to ensure that the council is 'Backing Innovators and Entrepreneurs in Business and Social Enterprise is especially important, in particular the pledge to

*"...support spaces and initiatives that incubate small creative businesses, recognising that these firms are getting priced out of parts of the city centre, which may require the development of new spaces to be supported, and the Council to consider how best to use its assets and investments to support small business growth."*

[Source: Inclusive Growth Strategy, p60]

- 3.16 This commitment is central to the emergence of the schemes highlighted in this report. Although there are clusters of creative industries elsewhere in the city Mabgate has faced particular challenges arising from the pace of change and the resultant threats to creative sector. During the exploration of the council's response to the challenges of Mabgate, discussions have taken place with a number of stakeholders over the past 12 months. This engagement has been primarily driven by the endeavours of the third sector organisations themselves through their fund raising, partnership building and in developing plans to expand and consolidate, and they have demonstrated considerable self-efficacy in challenging circumstances. Crucially both Mabgate schemes have critical timescales that lend themselves to taking the opportunities now available.
- 3.17 These timescale imperatives are also relevant for the Leeds Media Centre, given the time limits imposed on the ESIF grant opportunity and the deteriorating condition of the building. The Media Centre is also an especially visible and cogent example of the council using its assets to support small creative businesses in line with our Inclusive Growth Strategy ambitions.
- 3.18 For the remaining £100k of funding in the Creative and Media Workspace Fund and remaining funds in the Tech Hub Fund, should the Board approve the

schemes in this report, the Director of City Development will work with stakeholders to provide discreet capital support where needed to meet the aspirations of the Creative and Digital Workspace Fund as outlined in paragraph 3.2. This could be in the form of small grants, feasibility funding and support to pursue other funding opportunities, including the balance of the Tech Hub funding held by the Council.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.1 This proposal has been subject to consultation with the Executive Members for Inclusive Growth and Culture and for Learning, Skills and Employment. The proposals have been discussed and agreed with the Director of City Development. Senior Officers in the West Yorkshire Combined Authority, Land and Property and Regeneration have been consulted on the proposals. Officers in the Council's Legal and Finance Services have also been consulted on the proposals.

4.1.2 The proposal is aligned with the recent market research undertaken as outlined in section 2.4 and the feedback received by the Council through the call for evidence process.

### **4.2 Equality and Diversity / Cohesion and Integration**

4.2.1 An equality, diversity and cohesion impact screening has been completed, provided at Appendix 1, identifying that the proposal will have a neutral or positive effect on equality and diversity.

### **4.3 Council Policies and Best Council Plan**

4.3.1 The project supports the clear ambitions set out in the Leeds Inclusive Growth Strategy and Best Council Plan. The approach set out in the Strategy helps to support places and communities adapt to economic change. The three projects identified reside in priority wards in Leeds; Leeds Media Centre is in Chapeltown within the Chapel Allerton ward, the Leeds Arts Hostel is in Burmantofts & Richmond Hill ward and Hope House is located in the Little London and Woodhouse ward.

#### **4.3.2 Climate Emergency**

The project at Leeds Media Centre will significantly improve the building's energy efficiency rating and the project will be required to achieve a BREEAM good rating as part of applying for ESIF funds. BREEAM is a world leading sustainability assessment process for developments, infrastructure and buildings. The Hope House and Leeds Arts Hostel projects, though not BREEAM rated, will require improvements to be made to the building to improve its energy efficiency.

### **4.4 Resources, procurement and value for money**

4.4.1 The proposed projects represent an excellent opportunity to enhance both the provision of creative workspace and the provision of affordable temporary residential accommodation for visiting artists, art producers and cultural visitors.

#### 4.4.2 Capital Cashflow

Injection & Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2019 £000's	FORECAST			
			2019/20 £000's	2020/21 £000's	2021/22 £000's	2022ON £000's
LAND (1)	0.0					
CONSTRUCTION (3)	0.0					
FURN & EQPT (5)	0.0					
DESIGN FEES (6)	0.0					
OTHER COSTS (7)	1400.0			1400.0		
<b>TOTALS</b>	<b>1400.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1400.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total overall Funding (As per latest Capital Programme)</b>						
	<b>TOTAL £000's</b>	<b>TO MARCH 2019 £000's</b>	<b>FORECAST</b>			
			<b>2019/20 £000's</b>	<b>2020/21 £000's</b>	<b>2021/22 £000's</b>	<b>2022ON £000's</b>
Creative & Digital Fund	900.0			900.0		
Rental increase repays borrowing	500.0			500.0		
<b>Total Funding</b>	<b>1400.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1400.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Balance / Shortfall =</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

#### 4.4.3 Revenue Implications

The following table illustrates the alterations which will be necessary to City Development's revenue budget to repay the proposed £500,000 Council contribution for the Leeds Media Centre project.

	£000's	£000'S
EMPLOYEES		
PREMISES COSTS		
SUPPLIES & SERVICES	34.0	500.0
EXTERNAL INCOME GENERATED	34.0	500.0

#### 4.5 Legal Implications, Access to Information and Call In

4.5.1 Section 1 of the Localism Act 2011 (the general power of competence) gives the Council the powers to enter into the arrangements outlined in this report. The Director for City Development has delegated authority to enter into these arrangements.

4.5.2 These powers are subject to the limitation that the Council needs to comply with the European Commission's rules on the provision of State Aid. The Council is currently in the process of carrying out its assessment of any State Aid implications for the proposed Leeds Media Centre project. In addition, the ESIF appraisal process for the proposed project also includes a rigorous assessment of any State Aid implications by the ESIF managing authority and that assessment is being carried out as part of Unity Property Services ESIF bid submission. For the proposed Leeds Arts Hostel and Hope House projects detailed State Aid advice will be sought prior to entering into any grant agreement.

4.5.3 The Council has a duty to conduct the administration of public funds with reasonable skill, care and caution and with due regard to the interests of the

Council Tax and Business Rates payers of Leeds. All necessary due diligence is being and will be carried out in respect of the proposals outlined in this report so as to ensure that the fiduciary duties of the Council are complied with.

- 4.5.4 Appendix 2 of this report has been identified as exempt from publication because it contains information which relates to the identity and investment plans of the Hope House social investors and its release may prejudice their commercial interests and withholding the information is considered to outweigh the public interest benefit or its release. There is a risk that if the details of the social investors are made public, they may withdraw their support from the project. In accordance with Executive and Decision Making Procedure Rule 2.3.2, where it is proposed that part of a report is to be exempted from publication and discussed in private at an Executive Board meeting, notice of the intention to hold a meeting or part of a meeting in private is to be published at least 28 clear calendar days prior to that meeting. Where the date of the meeting makes compliance with rule 2.3.2 impracticable, rule 2.3.4 provides that the meeting can only consider exempt or confidential items in private with the agreement of the Chair of the relevant Scrutiny Board, who must be satisfied that the meeting is urgent and cannot reasonably be deferred. The reasons why this matter is urgent and cannot reasonable be deferred are detailed at paragraphs 4.5.7 - 4.5.8. The relevant Scrutiny Board Chair has provided his agreement with such reasons.
- 4.5.5 It is recommended that the decision to approve the proposed £800,000 contribution to the Leeds Media Centre should be declared exempt from Call In on the basis that the decision is urgent due to the short timescales provided by the ESIF bidding process and the need to confirm match funding as quickly as possible after the bid submission deadline of the 28<sup>th</sup> June. This short period for bid development is a product of the ESIF bidding timescales, the need to produce substantial amounts of detailed information in a short period of time and to consult/seek approval from our partner, Unity Property Services Ltd, following complex negotiations. Should the decision be delayed by the operation of the Call In mechanism the Council and its partner would lose the opportunity to bid for match funding of up to £800,000 from the ESIF programme.
- 4.5.6 The Government has guaranteed all ESIF funding commitments entered into by the end of 2020 in the event of the UK leaving the European Union.
- 4.5.7 It is also recommended that the decision to approve the proposed grant of up to £450,000 for the Hope House is exempted from Call In because it is urgent and cannot reasonably be deferred. This is because the current owner of the Hope House has the option to develop the property if a sale of the Hope House to MAP does not go ahead, but the current owner's planning permission to do so expires on 7 October 2019 and the current owner would have to spend significant money to start works at the property before that date in order to extend that planning permission. Consequently, the current owner needs confirmation that MAP will purchase the Hope House by the end of September 2019 otherwise the current owner will commence works in order to maintain the planning permission. It is therefore deemed that the matter cannot be delayed until the next scheduled meeting of the Board.

- 4.5.8 The decision to approve the proposed grant for the Hope House could not have been taken earlier so as to have been eligible for Call In because the meeting with the social investors who wish to support the scheme was only held on 2<sup>nd</sup> July 2019.
- 4.5.9 The decision to approve the proposed grant of £150,000 for the Leeds Arts Hostel is a Significant Operational decision and will be available for Call In.

## **4.6 Risk Management**

- 4.6.1 The proposed projects have a number of risks which relate to external funding, risks associated with major refurbishment projects and risks over future rental income stream to sustain operations and payback any borrowings. Officers will work with the partners identified to mitigate these risks and ensure all targets are met.
- 4.6.2 It is proposed that for all three projects the Council enters into appropriate agreements to ensure that properties refurbished with public funds are not disposed of at a later date and/or that the use is not changed without the Council's approval. It is proposed that the Council places legal charges on privately owned properties, uses agreements to ensure controls are placed on refurbishments and includes grant clawback provisions in funding agreements to ensure that future uses are within the scope of the original grant approval. To mitigate risks further the Council will use staged payments for grant payments linked to appropriate construction phases and seek to establish appropriate terms and conditions in the new lease to be granted for the Leeds Media Centre project by seeking assurances on the new operating model for the project from the current operator, Unity Property Services Limited.
- 4.6.3 It is proposed that Executive Board authorise the Director of City Development to finalise the detailed terms of any new contracts or funding agreements with the organisations mentioned in this report, in accordance with the principles contained in Appendix 3.

## **5 Conclusions**

- 5.1 The proposed projects represent an excellent opportunity to enhance both the provision of creative workspace and the provision of affordable temporary residential accommodation for visiting artists, art producers and cultural visitors.
- 5.2 Although, there are some risks associated with project delivery, these have been considered during project inception and will be fully considered during project delivery. All three partners have a track record related to creative workspace.
- 5.3 There is a clear rationale to support the proposed three projects given their contribution to the Leeds Inclusive Growth Strategy and Best Council Plan.

## **6 Recommendations**

Executive Board is requested to:

- 6.1 Note the findings of the Council's research and confirmation by the recent call for evidence.
- 6.2 Approve the decision to use the Creative and Digital Workspace Fund to support projects which enable the not-for-profit sector to refurbish and secure the long term future of affordable workspace for creative industries in city centre / city fringe locations.
- 6.3 That subject to the information contained in exempt Appendix 2, the Executive Board approve in principle the Council's support for, the first three projects: Leeds Media Centre, the Leeds Arts Hostel and Hope House.
- a. Leeds Media Centre. Provide a grant of £800,000 to the Council's operator, Unity Property Services Limited, (with £300,000 allocated from the Creative and Digital Workspace Fund and £500,000 funded directly by the Council which will be offset by an increase to the rent paid to the Council by the Unity Property Services Limited. Unity Property Services Limited will then use this £800,000 capital contribution as match funding to deliver a £1.6m refurbishment and reconfiguration of the premises.
  - b. Leeds Arts Hostel. Provide up to £150,000 grant to East Street Arts to support the strategic relocation of the Leeds Arts Hostel to Mabgate.
  - c. Hope House. Provide up to £450,000 grant to Music and Arts Production Leeds to secure the long term future of Hope House as a creative workspace and as a contribution to the proposed refurbishment
- 6.4 Note that the Director for City Development will be responsible for implementing the recommendations above.
- 6.5 Based on recommendation 6.3, above, to approve the Director of City Development finalising the detailed terms before entering into the new contracts and funding agreements associated with Leeds Media Centre, the Leeds Arts Hostel and Hope House.
- 6.6 Note that the Director for City Development will seek to support further requests for assistance to sustain and improve the provision of creative workspace through the remaining £100,000 in the Creative and Digital Workspace Fund and remaining funds in the Tech Hub Fund.
- 6.7 The decisions taken by the Board in respect of recommendations at paragraphs 6.3(a) and 6.3(c) of this report be exempted from the Call In process, for the reasons of urgency, as set out in paragraphs 4.5.5 - 4.5.8. The decision taken by the Board in respect of recommendation at paragraph 6.3(b) will remain available for Call In.

## **7 Background documents<sup>1</sup>**

- 7.1 None.

---

<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

## **8 Appendices**

- 8.1 Appendix 1 - Equality, Diversity and Cohesion Impact Screening
- 8.2 Appendix 2 - Social Investors (Exempt from publication, under the provisions of Access to Information Procedure Rule 10.4(3))
- 8.3 Appendix 3 - Grant Conditions and Principles