



Report of Chief Officer Economic Development

Report to Director of City Development

Date: 23rd October 2020

Subject: Duke Makes by Duke Studios funded by the Creative and Digital Workspace Fund (Number 33054/LAH)

Are specific electoral wards affected? If yes, name(s) of ward(s): Hunslet and Riverside	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
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 type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain <u>confidential</u> or exempt information? If relevant, access to information procedure rule number: Appendix number: Appendix 1 - Grant Agreement	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Summary

1. Main issues

- Executive Board in July 2019 approved the decision to use the Creative and Digital Workspace Fund to support and enable not-for-profit organisations to refurbish and secure the long term future of affordable workspace for creative industries in City Centre / City fringes. The 3 initial projects within this programme are East Street Arts Hostel, Leeds Media Centre and Hope Foundry
- It was noted 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 the remaining funds in the Tech Hub Fund in the July 2019 report.
- ‘Dukes Makes’ is an additional project that fits the purpose of the Creative workspace Fund that would enhance the creative industries offer of the city.
- Duke Studios is now in a position to draw down £50,000 grant funding from the Creative and Digital Workspace Fund to action and facilitate their Dukes Makes project.

2. Best Council Plan implications (see the [latest version of the Best Council Plan](#))

- The Creative and Digital Work Space Fund supports the ambitions set out in the Leeds Inclusive Growth Strategy. The three early investments contribute to Big Idea 5 : Supporting Places and Communities to Respond to Economic Change; Big Idea 10 : Backing Innovators and Entrepreneurs in Business and Social Enterprise and Big Idea 12 : Maximising the Economic Benefits of Culture.

3. Resource implications

- To draw down and release £50,000 capital grant funding in 3 tranches £20,000 (40%) at production of invoices to this value, £15,000 (30%) at satisfactory completion of audit 1 and production of invoices a this value and £15,000 (30%) at satisfactory completion of audit 2 and production of invoices to this value - in accordance with the payment schedule in the grant agreement to enable the purchase and fit of equipment and development of the Dukes Makes project.

Recommendations

It is recommended that that the Director of City Development

- a) Approves and authorises the grant release of up to £50,000 in three tranches from the Creative and Digital Workspace Fund to Duke Studios Ltd to action and facilitate their Dukes Makes project
- b) Authorises the Council entering into a grant agreement with Duke Studios Ltd to ensure that monies are spent in accordance with the agreed project plan on eligible expenditure.

1. Purpose of this report

- 1.1 The purpose of this report is to seek approval from the Director of City Development to draw down and release £50,000 from the Creative and Digital Workforce Fund to Duke Studios to action and facilitate the development of the Dukes Makes project.

2. Background information

- 2.1 Executive Board in 27 June 2018 approved a report 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
- 2.2 Executive Board in July 2019 approved the decision to use the Creative and Digital Workspace Fund to support 3 separate projects by not-for-profit organisations to refurbish and develop properties in Leeds (Leeds Art Hostel, Leeds Media Centre and Hope Foundry) to secure the long term future of affordable workspace for creative industries
- 2.3 It was noted 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 the remaining funds in the Tech Hub Fund in the July 2019 report.

- 2.3.1 Duke Studios were successful in their bid for an allocation of the Tech Hub Fund in October 2017 – of which they received a total of £394,435.63 during 2018 under legal agreement. Phase 4 of their Tech Hub Fund project proposal included the first iteration of the current project proposal, referred to as ‘Messy Duke’.
- 2.3.2 Duke Studios operates from established premises on Sheaf St and trades under two legal entities “Duke Studios Ltd” (inc Dec 2015 - dormant for several years until Jan 2020 as they wish to trade Dukes Makes under this company name) and Creative Aristocracy Ltd (incorporated on the 2/6/2011). Both entities are owned and controlled by two directors – James Abbott- Donnelly and Laura Wellington. For the purposes of this proposal both entities which trade under the Duke Studios name and who share the same common ownership will be referred to as Dukes Studios in this report and will be assessed as one operating business.
- 2.3.3 Duke Studios was established in 2011 as a shared workspace providing support to creative and digital (CDI) businesses – initially in Munroe House before moving to the Sheaf St site in 2015. To house Messy Duke, Duke Studios took lease of Beaver House but within two months of occupation (in March 2018) the landlord (John H King Developments) informed Duke Studios of their intention to sell Beaver House for redevelopment. In return for agreeing to a break in the Beaver House lease the landlord identified alternative premises for Messy Dukes (at Sovereign House, Butterley St, LS10 1AW) and agreed to pay for fit out costs and to provide the new premises on a 10 year lease with the first two years rent free.
- 2.3.4 Duke Studios occupied the Sovereign House site in August 2019 – moving the equipment bought with the Tech Hub Fund money into Unit 2 and proceeded to fit out the unit over the next 6 months financed by the landlord. At this point the Messy Duke name was changed to Dukes Makes to reflect the new purpose. The current situation until the Covid-19 pandemic struck is that Dukes Makes was minimally operational to in house clients and one off small tasks – but not the wider community as they were in need of investment to complete the space and provide the tools and facilities required.
- 2.4 Duke Makes is a dedicated digital fabrication and rapid prototyping creator space in Leeds. It houses a range of machines for processes such as laser cutting, vinyl cutting and CNC routing with more services planned for the future. Duke Makes creator space is being created to service the current and future creators of Leeds - businesses, designers, architects, artists and engineers – but will also be available for public use.
- 2.4.1 Duke Studios received £30,000 from the Covid-19 small business rate relief grant fund and the retail, hospitality and leisure grant fund in April 2020 for their qualifying event space, café and office space.
- 2.5 Duke Studios were also successful in their Arts Council England bid for the Covid-19 Emergency Grassroots Music Venues Fund and were awarded £46,583 in August 2020.

3. Main issues

- 3.1 Like many other co-working and event spaces, the Covid-19 pandemic has had a substantial impact on Duke Studios at their Sheaf Street site. Sheaf Street event space and Sheaf St bar and café closed in March in line with government guidance,

and the bar and café re-opened partially on July 27th with a considerable drop in trade resulting from a vastly reduced footfall in the area and internal clients electing to work from home. They continued following national government advice during the local Tier 2 restriction imposed at the end September with take away only service provided. The bar and café adhered to national lockdown restrictions from November 5th 2020 and tier 3 restrictions between 2nd December 2020 to 4th January 2021 before the national lockdown on 5th January 2020. The Dukes Studios workspace was not required to close under any of the schemes but suffered from lack of attendance as co-workers and studio holders stayed away and chose to work from home, The event space has remained closed throughout in line with national government guidance. They are not expecting any further events income in Q1 of the 2021 calendar year. They are losing co-working desk holders and studio clients at an alarming rate (reducing from 73 to 43 at last notice) as several are on short term contracts and not renewing.

- 3.2 The sustainability of the Dukes Studios and the Dukes Makes project is essential to guarantee good value from this funding. As such, whilst annual accounts applicable for the Covid-19 period are not yet available, anecdotal evidence and recent communication suggests that they are in a position of 'vulnerability' and 'fighting for survival' in the directors own words.
- 3.3 A grant agreement drafted based on previous similar grant agreements drafted as required to assure adherence to the proposed plan and will include spending reviews validating receipts and outline a monitoring framework.
- 3.4 Duke Studios have a great deal of engagement with the Council and they have been very involved and accommodating to many city initiatives, such as Leeds 2023, Child Friendly Leeds, hosting international delegate visits including their involvement in MIT REAP, supporting independents, they have been advisory at both LEP and LCC level on civic matters and have recently won IPSE Co-working space of the year 2019 and Prolific Norths Inspired Spaces winner.
- 3.5 The Dukes Make Project aligns to several elements within the Economic Recovery Framework:-
 - Aligning to the Leeds Economic Recovery Framework, this project will aid us in responding and building resilience in the SME community. In the framework we outlined our continued immediate support for businesses and workers and this would be very much in line with that.
 - Additionally in the Leeds Economic Recovery Framework we value the need for entrepreneurs and innovators to generate programmes leading to a stronger eco-system and creating more businesses and jobs. This project will support the progress of entrepreneurs and SMEs by providing them with a quality facility and service they need.
 - The site falls within the defined South Bank Regeneration Framework area and is located in the vicinity of several planned infrastructure projects – such as Aire Park, with the aim of turning the South Bank into a leading global destination for sustainable living, investment, learning, creativity, culture and leisure.
 - South Bank is home to over 300 creative and digital businesses, and more businesses are moving to the neighbourhood in unique settings like Duke Studios, Round Foundry and Leeds Dock. Regeneration development will provide further opportunity for employment and strengthen the creative and digital eco-systems.

- 3.6 Duke Makes is a work space extension of Duke Studios. Duke Makes is a dedicated digital fabrication and rapid prototyping creator space in Leeds. They currently have a range of machines for processes such as laser cutting, vinyl cutting and CNC routing with lots more services launching in the future run by Duke Studios.
- 3.7 The Dukes Makes project provides a space for affordable prototyping and small manufacturing – a gap in the market at the moment as there are very few (5) dedicated ‘maker friendly spaces’ as identified as a need in the Leeds CDI Workspace Research Report on the Leeds city centre and fringe area by CSM 2019.
- 3.8 The £50,000 has been earmarked to fit capital equipment necessary to provide a complete workshop and provide a quality service.
- 3.9 A Tech Hub Fund grant to the value of £472,165.39 was awarded in November 2017 to purchase capital equipment which, for various reasons, is as of yet not being used as originally intended. This grant will ensure that the Dukes Makes operation can be properly established and the previous capital grant maximised.
- 3.10 Dukes Studios state aid position is detailed in Appendix 3 of the Grant Agreement with declaration, however, in summary, in the last three years they have received £393,444.63 in GBER Article 56 state aid from the Tech Hub Fund, and £47,483.28 (€52,231.60) in de minimis state aid from business rates relief. They have also received grants totalling £87,294.72 (€96,897.14) that fall under the Covid-19 temporary framework from the business support grants.

With a maximum de minimus value restricted to €200,000 – and Covid-19 temporary framework value restricted to €800,000 in the last three consecutive years there is capacity to provide this funding in terms of state aid regulation – and with the additional £50,000 from this fund, this will take the de minimis value provided to €108,206.44 (Oct 20 exchange rate 1.11) and is valid.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 Executive Members for Inclusive Growth and Culture and for Learning, Skills and Employment were consulted as part of the July 2019 Executive Board report on scope and purpose of the Creative Workspace Fund. Executive Members for Inclusive Growth and Culture and for Learning, Skills and Employment have also been consulted on this ‘Dukes Makes’ project and its alignment with the Creative Workspace scope and purpose.
- 4.1.2 Duke Studios have advised they have undertaken consultation with Local Ward Members and the local community who are supportive of their proposal. Additionally, Hunslet and Riverside ward members (Cllr Mohammed Iqbal, Cllr Elizabeth Nash and Cllr Paul Wray) have been consulted with directly by the Chief Officer of Economy and Culture.
- 4.1.3 City Development Directorate were consulted in September 2020.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 An equality, diversity and cohesion impact screening has been completed. It concluded that the proposal promotes improved relationships between groups, widens participation in the creative community and seeks to support new and early stage businesses to survive and grow. As such, it was deemed to be positive in improving equality and diversity within the city.

4.3 Council policies and the Best Council Plan

- 4.3.1 The project supports the clear ambitions set out in the Leeds Inclusive Growth Strategy, Best Council Plan, Inclusive Growth Strategy and Leeds Economic Recovery Framework. The approach set out in the Strategy helps to support places and communities adapt to economic change.

Climate Emergency

- 4.3.2 It is understood that the realisation of Dukes Makes will not have any detrimental impact or any negative implications towards the ambitions set out by the Council in relation to the climate emergency.
- 4.3.3 As a carbon aware organisation, Creative Aristocracy / Duke Studios will ensure that the project provides benefit towards the climate emergency – by providing space for new innovations and prototypes pertaining to the green economy and low carbon sector.
- 4.3.4 Leeds City Council declared a Climate Emergency in March 2019. The ‘Sustainable Infrastructure’ priority within the Best Council Plan sets out how the Council plans to tackle the risks of climate change. The Council wants to support the development of a more competitive, less wasteful, more resource efficient and low carbon economy. The Council’s business support activity works to support this goal.
- 4.3.5 Supporting of the Dukes Makes activity provides Leeds City Council with the opportunity to promote this agenda to businesses not only within the tech, digital and creative sector, but also to all businesses, educators and community groups that have a need for small scale manufacture and prototyping.

4.4 Resources, procurement and value for money

- 4.4.1 This is a fixed price grant – Duke Studio have been made aware of this limited grant position and the agreement with them is drafted accordingly. There will be no further monies associated with this project from the Creative Workspace Fund.
- 4.4.2 The legal agreement / grant agreement to be entered into between the Council and Duke Studios will give the Council the ability to hold tranche payments to ensure that the council receiving value for money, project spend is adhered to and Creative Aristocracy is continuing towards future sustainability.
- 4.4.3 It is proposed that 100% of the grant (£50,000) is to be drawn down in 2020/2021.
- 4.4.4 The Council’s Legal Services will draft the legal agreement based / endorse the grant agreement based on provisional heads of terms agreed between the parties.
- 4.4.5 The outputs from the project will give greater visibility to opportunities within the sector to a wider group of prospective businesses; supporting collaborative working

to assist in shaping publicly and privately funded skills provision; ensure that this is effectively targeted to the specific cohorts developing workforce needs; and promote inclusive employment practices in local businesses in a key growth sector.

4.5 Legal implications, access to information, and call-in

- 4.5.1 Potential State aid implications were noted in the July 2019 Executive Board report. Legal Services have subsequently confirmed that the scheme meets the criteria to be subject to State aid implications and therefore support can only be given to the scheme using public funds if it is permitted by the State aid rules.
- 4.5.2 The State aid issue has been raised with Creative Aristocracy Ltd who have completed a de-minimis state aid declaration. It is noted that this grant will be accepted as de minimis aid under EC Regulation 1407/2013 (the De Minimis Aid Regulation) as published in the Official Journal of the European Union 24 December 2013. The De Minimis Aid Regulation permits State aid up to €200,000 to be provided within any three fiscal year period. As such, Duke Studios will have claimed €108,206.44 of de minimis qualifying state aid over the previous three years and are not restricted by the grant.
- 4.5.3 The decision is a significant decision and is not eligible for call in.
- 4.5.4 This report contains confidential information – Appendix 1 - Grant Agreement associated with the Dukes Makes project.

4.6 Risk management

- 4.6.1 There is a risk that Duke Studios Ltd will not be able to deliver all of the outputs set out in the project proposal. This is considered to be a low risk as the proposal has been developed by Creative Aristocracy and reflects activity that they are confident they will be able to undertake.
- 4.6.2 The Council will put in place measures to monitor both the use of the facilities provided by the Tech Hub grant and the use of the facilities and equipment provided by this Creative Workspace Fund to mitigate risk. An addendum to the Tech Hub Fund agreement quarterly monitoring report with Duke Studios will be included within the grant agreement and will include the monitored use of facilities and output of the Dukes Makes project.
- 4.6.3 Given the large business rates subsidy provided to Duke Studios over the last seven years for the Sheaf St operation, it is also important that the Council takes steps now to manage expectations of future relief from the business rates discretionary relief scheme which is on hold, and provide support towards their self-sustainability.
- 4.6.4 The three tier tranche payment with spend review prior to the secondary and third release of funds will ensure correct spends according to the proposed plan. (Appendix 1 of the grand agreement)
- 4.6.5 Duke Studios have advised that the Dukes Makes project would not be possible to progress without the support from the Creative Workspace Fund at the current time.

5. Conclusions

- 5.1 Executive Board in July 19 approved the decision to grant fund projects from the Creative and Digital Workspace Fund and 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 the remaining funds in the Tech Hub Fund in the July 2019 report.
- 5.2 The proposed activity outlined within this report supports Leeds' ambition to be a strong economy and a compassionate city Duke Makes is a project that has congruence with the purpose of the fund, the Recovery Framework and Inclusive Growth Strategy as outlined in section 3.
- 5.3 A grant agreement will be drafted to ensure that money is spent according to the agreed project plan and value for money is achieved through sustainability. This will be monitored by the Chief Officer Economic Development.
- 5.4 The Dukes Makes project fills a gap in the market for small manufacturing space and prototyping provision – as identified as a need in the Leeds CDI Workspace Research Report on the Leeds city centre and fringe area by CSM 2019.

6. Recommendations

- 6.1 Approves and authorises the grant release of up to £50,000 in three tranches from the Creative and Digital Workspace Fund to Duke Studios Ltd to action and facilitate their Dukes Makes project
- 6.2 Authorises the Council entering into a grant agreement with Duke Studios to ensure that monies are spent in accordance with the agreed project plan (Appendix 1)

7. Background documents¹

- 7.1 Diversity and Equality Screening
- 7.2 Appendix 1 – Grant Agreement
- 7.3 Proposal Document- (Appendix 2 of the Grant Agreement)

¹ 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.