

Innovation@Leeds capital funding scheme – administrative decision re Round Two stage

Date: March 2023

Report of: Head of Service Economic Policy

Report to: Chief Officer Culture & Economy

Will the decision be open for call in?

☐ Yes ☒ No

Does the report contain confidential or exempt information?

☐ Yes ☒ No

Brief summary

The report summarises the outcome of the consideration of the six projects invited to participate in the second stage of the Innovation@Leeds capital funding opportunity and recommends two projects for funding. The combined value of the requests received was c.£563k against a total fund of c.£450k. The funding recommendation is to award a total of £205k from the Innovation@Leeds pot at this stage. The report also recommends a retrospective Approval To Spend to regularise a payment made in an earlier funding round.

Recommendations

- a) To approve the proposal to proceed to making grant funding offers to two of the projects considered in Round Two – Leeds Studio Cooperative (£125k) and Leeds Media Centre (£80k)
- b) To grant retrospective Approval to Spend against a payment of £393,500 made to Duke Studios during the Tech Hub Round Two funding round
- c) To agree the timeline proposed for the remainder of the process

What is this report about?

- 1 The Innovation@Leeds capital fund is a funding allocation of £451k which is being made available to organisations in Leeds to support the creation of workspace which provides facilities for collaborative and hybrid working, supports the development and business survival rates of new and small businesses as well as facilitating access to innovation support and business development activity.
- 2 Following a decision taken by the Chief Officer Culture & Economy (see background papers) to progress with a funding competition an open invitation for Expressions of Interest (EOIs) was launched in September 2023. 11 proposals were received from 10 different organisations.
- 3 In December 2022 the Chief Officer Culture & Economy approved a recommendation from the Innovation@Leeds panel to invite 6 of the projects to participate in the second stage of the process (see background papers).
- 4 The information requested for round two consideration was received in early February 2023. As part of the assessment at the end of stage two the panel reviewed the additional information supplied by the applicants – 3-year business plan, project specification and breakdown of costs and property information, as well as responses to project specific queries arising from the Expression of Interest stage. The panel considered all this information and assessed overall project viability, risk and value for money as well as alignment with the scheme objectives:
 1. To invest in the vibrancy and economic and social purpose of local centres by supporting the development of enterprise and innovation facilities within communities across Leeds
 2. To support the creation of new and improve survival rates of existing businesses in the Leeds economy
 3. To promote greater participation of diverse founders from different backgrounds to access support from across the innovation, skills and business support ecosystem
 4. To maximise the investment made in other related projects/initiatives by enhancing reach of these programmes by providing additional or enhanced facilities where this other support can be delivered or provided to end users
- 5 The recommendation of the panel is to progress to making grant funding offers to Leeds Studio Cooperative to support the development of the Old Bookbinders building in Headingley and to Unity Enterprise to support the creation of collaboration workspace within Leeds Media Centre.
- 6 **Leeds Studio Cooperative.** The panel found that the Leeds Studio Cooperative made a strong case for investment with good alignment across all four scheme objectives. The Project Proposal sets out an outline timetable for the works to be completed. Structural works will commence in early 2023 with completion due in summer 2023 at which point internal works (including those in the Innovation@Leeds proposal) will commence. These internal building and fit out works should be complete and the facility generating an income by the end of Q3 23/24.
- 7 **Leeds Media Centre.** The Panel recommend making a grant funding offer to Unity Enterprise for the development of collaboration and coworking space at Leeds Media Centre (LMC). This project had strong alignment across all the scheme objectives and the panel agreed would make a welcome contribution to the eco-system.
- 8 The building is already undergoing ERDF funded refurbishment works which will create small office provision. The proposal for Innovation@Leeds funding is to create additional capacity within the building for collaboration and coworking space for business owners of early-stage businesses and in the pre-start phase.

- 9 Declaration of interest. It should be noted that one panel member declared a potential conflict of interest relating to the Unity Enterprise proposal for LMC. The panel member is involved with Unity in relation to the current ERDF funded project and has an ongoing advisory role to the Unity Enterprise board. The panel member was not involved in the assessment of the Unity proposal at the Expression of Interest stage. Once the EOI was recommended to progress to the second stage of the process the panel member has been involved in reviewing the further information submitted and contributing to the panel discussion. The four other panel members were independently in agreement at the second stage that the Unity LMC project was a well-detailed and sound proposal with a strong alignment to the scheme objectives.
- 10 Not recommended for funding at this stage. The panel recognised that each of the projects had merit and would contribute to the overall business and innovation landscape in Leeds. There will be further discussion with each of the organisations involved in the round two process to understand how LCC might be able to support the development of these projects. This may include making awards at a later stage from the Innovation@Leeds fund.
- 11 The recommendation is to make grant funding awards totalling £205,000 from a total investment fund of £451,000. This leaves £246,000 of funding remaining.
- 12 Retrospective approval. This report also seeks to regularise the payment of £393,500 to Duke Studios to support their investment in improvements to the meeting and event space, provision of new prototyping and innovation facilities at the Sheaf Street building which was paid under the Round 2 Tech Hub competition but where there was no Approval to Spend in place at the time. This recommendation does not create an additional call on resources, the works have been completed and the grant already drawn down.

What impact will this proposal have?

- 13 The direct impact of this decision will be to engage with Leeds Studio Cooperative and Unity Enterprise to being the process of negotiating grant funding agreements with them. Their respective projects will create new music production and studio space in Headingley and new collaboration and co-working space in Chapeltown.
- 14 The funding agreements will set out the specific outputs associated with each project. As well as the completion of the works to create the physical spaces we will work with the projects to develop a set of beneficiary focused outputs that they will report on once the spaces are in use.

How does this proposal impact the three pillars of the Best City Ambition?

☐ Health and Wellbeing

☒ Inclusive Growth

☐ Zero Carbon

- 15 The overall scheme aligns with the Inclusive Growth Strategy. The funding will support the development of facilities in locations outside the city centre which responds to the ambition to build resilience within local communities and to create opportunities for alternative uses within local centres which diversify their offer to residents.
- 16 Both projects recommended for funding provided a strong narrative around the work they will do to ensure that the facilities they create are used by a wide range of beneficiaries. The Leeds Studio Cooperative has a range of partnerships in place which seek to widen participation from groups of people who might not previously have access to music facilities and the Cooperative is deliberately structured to keep prices low to reduce financial barriers to access. Unity Enterprise have long experience of working with business founders and entrepreneurs from diverse backgrounds and tailoring business support activity to meet local need. As well as working with their existing networks Unity are taking steps to engage with the wider innovation

support eco-system in the city to ensure that users of the space at Leeds Media Centre can access these connections and receive appropriate support.

What consultation and engagement has taken place?

Wards affected: Chapel Allerton, Headingley & Hyde Park

Have ward members been consulted? ☒ Yes* ☐ No

*Cllr Pryor, Executive Member Economy, Culture and Education

- 17 Cllr Pryor, Executive Member Economy, Culture and Education has been consulted on the outcome of the EOI stage and were supportive of the recommended approach (to request further Round Two information from 6 of the 11 projects).
- 18 Notification of the outcome of the assessment of the round two information and this funding recommendation has also been provided to Cllr Pryor Executive Member Economy, Culture and Education.

What are the resource implications?

- 19 The £451k total funding pot is already within the capital programme and will be drawn down by individual projects once final funding decisions have been approved and Grant Funding Agreements issued.

What are the key risks and how are they being managed?

- 20 The main risk associated with Leeds Studio Cooperative relates to the experience of the applicant in managing a grant funded project with public sector subsidy and the ultimate demand for the facilities to be created.
- 21 The risk associated with Leeds Media Centre concerns financing the construction stage of the project. The proposal from Unity is to tie in the Innovation@Leeds funded works to the construction project already underway which is refurbishing the main parts of the building. Unity have identified a cashflow gap and are seeking an advance payment of the grant to bridge this gap. Discussion with LCC finance colleagues suggests that this should be possible, and provision can be made to make advance payment should this prove necessary.
- 22 The main mitigation against the risks identified are that LCC Economic Development will work closely with both the projects to agree Grant Funding Agreements and support them as they get into delivery phase. Building ongoing relationships which connect funding recipients with wider business and innovation support networks will help to create promotion and referral routes and create opportunities for beneficiaries/occupiers of the spaces created to take advantage of the wider support offer.

What are the legal implications?

- 23 There are no legal implications arising from this decision beyond the requirement for support from colleagues in Legal Services to support the development of the necessary Grant Funding Agreements.

Options, timescales and measuring success

What other options were considered?

- 24 There were several options considered from the assessment of the round two information;
- 25 **Fund Leeds Studio Cooperative at a lower level** as outlined in paragraph 12 the Leeds Studio Cooperative submitted a proposal with two funding scenarios. Having considered both the options the panel recommend supporting the award of £125k to allow for the refurbishment of both the upstairs studios and the accessible toilet block. This higher level of investment will allow the project to begin to generate income from use of the studios at an earlier stage in the overall project development than would otherwise have been possible. This should allow for acceleration of later project stages to bring the forward the completion date of the project as a whole.
- 26 **Funding for the other projects participating in round two** the panel considered funding the other projects at either the level requested or at a lower level (no funding proposals exceeded £125k). The panel were broadly consistent in their assessment of the strengths and weaknesses of all the projects. All the projects under consideration had merit and would bring benefits to Leeds. However, the degree to which projects aligned well with the overall scheme objectives differed with some projects showing weaker alignment.
- 27 Viewed through the lens of scheme objectives the remaining projects did not offer strong enough value for money to warrant offering a grant at this point. The recommendation is to engage in further discussion with the applicants on these projects to establish if there are better alternative routes for support and/or if elements of the project can be reworked to better align with the Innovation@Leeds scheme objectives. This fund may be used to support one or more of these projects at a later stage.

How will success be measured?

- 28 Success arising from this specific decision will be the development of funding agreements with Unity Enterprise and Leeds Studio Cooperative. The funding agreements will detail the specific outputs and monitoring arrangements for each project.
- 29 Discussion with the further four organisations not recommended for funding at this time will result in an understanding of the next steps these projects can undertake to come to fruition and how the Council may be able to support them.

What is the timetable and who will be responsible for implementation?

- 30 Grant Funding Agreements (GFAs) will be agreed with both Unity Enterprise and Leeds Studio Cooperative. Each GFA will set out an agreed timetable for delivery. The overall expectation is that successful projects will be able to complete their delivery within 12 months of agreeing their GFA.
- 31 Both projects are already engaged in building works at the sites concerned and the intention is to add to the Innovation@Leeds funding works into each of the respective schedules of work. The Unity Enterprise project proposal indicated a July/August 2023 completion date, the Leeds Studio Cooperative an October 2023 completion date. A more detailed understanding of the timetable will emerge as we enter into discussion on the GFAs.
- 32 If any further funding decisions are recommended upon completion of further discussion with the other projects a further report seeking approval these decisions will be brought to the Chief Officer Culture & Economy.
- 33 The Head of Economic Policy is responsible for implementing the remaining stages of the process.

Appendices

- None

Background papers

None.

Related Decisions

- Administrative Decision, Chief Officer Culture & Economy, “Use of remaining Tech Hub Funding”, 12th September 2022
- Administrative Decision, Chief Officer Culture & Economy, “Innovation@Leeds capital funding scheme – administrative decision re EOI stage”, 6th December 2022