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**Report of: Director of City Development**

**To: Executive Board**

**Date: 6 January 2010**

**Subject: Proposed Middleton Enterprise Centre - Capital Scheme No 15704**

**Electoral Wards Affected:**  
Middleton Park

Ward Members consulted  
(referred to in report)

**Specific Implications For:**

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

(Details contained in the report)

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## EXECUTIVE SUMMARY

1. In late 2006 Leeds City Council was successful in securing funding of £20.6 million through the Government's Local Enterprise Growth Initiative (LEGI) for the four year period ending 31st March 2011. The programme aims to tackle worklessness in some of the most deprived areas of the city through the encouragement of enterprise. The cornerstone of the programme is the establishment of a network of up to five permanent catalyst/enterprise centres strategically situated in the heart of some of the city's most deprived neighbourhoods to provide a single and central access point to enterprise support at a very localised level. Three permanent centres are now fully operational, namely Shine (Harehills), Hillside (Beeston) and Rise (Seacroft). Two further temporary centres have also been established in Chapeltown (Biz Centre) and Bramley (West Leeds Enterprise Centre). By 31st March 2011 it is proposed that further centres will be opened in Middleton, south Leeds and Armley, west Leeds.

This report relates to opening of a new centre in Middleton, for which Executive Board is asked to approve the funding.

## **1.0 Purpose Of This Report**

- 1.1 This report seeks Executive Board approval for the opening of a new enterprise centre in Middleton, South Leeds and give authority to spend £1,616,450 as outlined in the report.

## **2.0 Background Information**

- 2.1 In 2005 Central Government announced the creation of LEGI, which was a new initiative to try and tackle worklessness in some of the most deprived areas of England through the encouragement of enterprise. Nationally the initiative was worth £300 million and all 88 Local Authorities in England with Neighbourhood Renewal status were eligible to submit bids over three bidding rounds. Leeds was unsuccessful in the first round which took place in 2005. A revised round two bid was put together in 2006 in collaboration with a wide range of partners and stakeholders from the public, private, voluntary, community and third sectors, as well as target client groups. The bid was based around 31 Super Output Areas (SOAs)<sup>1</sup>, which were amongst the 3% most deprived in England based on the Government's 2004 Index of Multiple Deprivation. These areas encompass a population of approximately 46,000 and are all located within the inner Leeds area. The rationale behind the bid was that although the City's economy has seen tremendous growth over the past decade or so it has so far failed to bring about widespread social improvements within the city's most deprived neighbourhoods. In simple terms the jobs and wealth created in Leeds have not trickled down to those residents most in need in the City, hence the bid went forward under the banner of 'Sharing the Success'. The bid was based around three key themes; engaging people, engaging business and embedding investment.
- 2.2 Research undertaken as part of development of the round two bid identified that if there is to be any impact in terms of engaging some of the city's most hard to reach communities in enterprise then local access is crucial, as residents from the most deprived areas of the city will not travel in to the city centre to seek mainstream business support. As such, the cornerstone of the bid was based around establishment of up to five permanent catalyst/enterprise centres strategically situated in some of the city's most deprived neighbourhoods to provide a central and single access point to enterprise support at a very localised level.
- 2.3 In December 2006 Government endorsed the round two bid and awarded Leeds a total of £15.6 million for the three year period 1st April 2007 to 31st March 2010. This was reported to Executive Board in March 2007. In late 2007 the programme was extended by a further year and an additional £5 million in funding also awarded.
- 2.4 The City Council is the Accountable Body for the programme and sub-contracts delivery to over twenty different organisations from the public, private, third and voluntary sectors. These organisations came forward as part of an open round of commissioning in 2007 and a small number were identified as preferred suppliers in the bid, with clear rationale as to why. By March 2011 the programme aims to have supported the creation of 596 new businesses, assisted 704 existing businesses to survive and grow, created 1,192 new jobs and attracted 75 new businesses to our target areas. As of September 2009 the programme was well ahead of schedule with 320 new businesses and 687 new jobs created, over 800 existing assisted to survive and grow and 25 businesses attracted to our target areas. External analysis undertaken on a quarterly basis on behalf of the LEGI programme has also identified

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<sup>1</sup> There are 32,482 SOAs in England, 476 of which are in Leeds. Each SOA is of equal size, approximately 1,500 people on average. Division of wards into SOAs allows for a more accurate pinpointing of areas of severe deprivation.

an increase in enterprise levels and business stock in our target areas, suggesting that the LEGI programme is having a real impact in engaging residents from our target areas in enterprise. Although funding has been secured for four years, when LEGI was originally set up it was envisaged as a ten year programme. It will be known in late 2010 whether the programme will be extended beyond the current end date of March 2011.

- 2.5 The Leeds LEGI programme is inherently different from other programmes in that it is investing almost one third of the £20.5 million funding allocation in capital projects. The rationale behind this is to leave a legacy beyond March 2011 with a network of catalyst/enterprise centres that are self-sustainable, strategically situated in some of the city's most deprived neighbourhoods and providing access to enterprise support at a very localised level. To date three permanent centres have been established, which have been part funded by the Leeds LEGI programme. Shine in Harehills, which is owned and managed by Harehills Community Interest Company, Hillside in Beeston, which is owned and run by TIGER 11 (Together in Growth and Economic Regeneration in Leeds 11) and Rise in Seacroft, which is owned by the City Council, but managed on a day to day basis by Leeds College of Building. As well as housing a catalyst centre, which combines workspace with networking, local events/seminars and on site business support the former two centres also offer small office accommodation, meeting and conference facilities, with the primary target audience being pre and new start businesses. The focus of the Rise Centre is on providing construction skills training, with a view to moving individuals in to both employment and self-employment within the construction sector.

### **3.0 Middleton Enterprise Centre, Main Issues**

- 3.1 The fourth of the proposed new enterprise centres is to be located at Tenant's Hall, Acre Close in Middleton, south Leeds. In terms of background and need unemployment in the Middleton Park ward as of August 2009 was 9.3%, which is a rise of 4.1% in less than a year and is almost twice the Leeds average and the second highest in the City. Over 50% of SOAs within the ward are within the worst 10% nationally, the percentage of people on incapacity Benefit is almost twice the Leeds average, the numbers of people claiming Jobs Seekers Allowance is again also almost twice the Leeds average and self-employment rates are less than a third of the national average of 12%.
- 3.2 The concept of a proposed new enterprise centre for Middleton has been developed in conjunction with an organisation called Health For All (HFA) who were identified as a partner as part of an open commissioning process in 2007. HFA is a registered charity and was incorporated as a company limited by guarantee in May 1996. The organisation was established in December 1991 with one member of staff and a grant of £30,000 to work with disadvantaged communities within south Leeds, in particular Leeds 10 and 11. Over the past 18 years the organisation has grown rapidly and now has a turnover in excess of £2 million (60% derived from trading services and the balance from grant funding), employs 143 staff, which are a mix of full and part-time and currently supports 17 different projects and 70 different groups across a diverse range of activities in south Leeds. They are also currently running an enterprise awareness project on behalf of the LEGI programme in Middleton and Belle Isle, which, in part, is being used to build up impetus and demand for the new centre.
- 3.3 The site on which the new Middleton Enterprise Centre will be built is owned by Leeds City Council and leased to HFA at a peppercorn rent. The proposal is to demolish the existing building and replace it with a new two-storey centre of 7,727 square feet. Planning permission for the project was granted back in March this year.

The centre will provide hot desk space, small office accommodation of up to 264 square feet, conference and meeting facilities, as well as on site business support.

- 3.4 The new building will be owned by Leeds City Council and leased to HFA at a peppercorn rent. The lease will be on a full repairing and insuring basis. HFA will manage the building on a day to day basis under Service Level Agreement from the Council. Under the terms and conditions of the Agreement HFA and not the Council will be responsible for any operational losses incurred. To mitigate this a detailed business plan has been developed by HFA in conjunction with the Council to ensure self-sustainability post March 2011.

#### 4.0 Implications For Council Policy And Governance

- 4.1 The project will contribute to the 'Narrowing the Gap' agenda by helping to regenerate deprived communities, whilst at the same time providing a new asset to aid the city's future development.

#### 5.0 Legal And Resource Implications

- 5.1 A total sum of £6.597m is included in the approved capital programme scheme number 13303, which is fully funded by the Leeds LEGI programme.

Previous total Authority to Spend on this scheme	TOTAL £000's	TO MARCH 2009 £000's	FORECAST				
			2009/10 £000's	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013 on £000's
LAND (1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CONSTRUCTION (3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FURN & EQPT (5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DESIGN FEES (6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OTHER COSTS (7)	3702.5	3590.7	111.8	0.0	0.0	0.0	0.0
<b>TOTALS</b>	<b>3702.5</b>	<b>3590.7</b>	<b>111.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2009 £000's	FORECAST				
			2009/10 £000's	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013 on £000's
LAND (1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CONSTRUCTION (3)	1292.9	0.0	613.1	648.9	30.9	0.0	0.0
FURN & EQPT (5)	133.5	0.0	22.5	111.0	0.0	0.0	0.0
DESIGN FEES (6)	161.6	0.0	123.1	38.5	0.0	0.0	0.0
OTHER COSTS (7)	28.5	0.0	3.7	24.8	0.0	0.0	0.0
<b>TOTALS</b>	<b>1616.5</b>	<b>0.0</b>	<b>762.4</b>	<b>823.2</b>	<b>30.9</b>	<b>0.0</b>	<b>0.0</b>

Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2009 £000's	FORECAST				
			2009/10 £000's	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013 on £000's
LEGI	5783.7	2777.3	1286.7	1719.7	0.0	0.0	0.0
ERDF	847.8	0.0	437.8	395.2	14.8	0.0	0.0
Leeds City Council	813.4	813.4	0.0	0.0	0.0	0.0	0.0
Government grant	16.1	0.0	0.0	0.0	16.1	0.0	0.0
<b>Total Funding</b>	<b>7461.0</b>	<b>3590.7</b>	<b>1724.5</b>	<b>2114.9</b>	<b>30.9</b>	<b>0.0</b>	<b>0.0</b>
<b>Balance / Shortfall =</b>	<b>2142.0</b>	<b>0.0</b>	<b>850.3</b>	<b>1291.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

- 5.2 To demolish the existing building and construct the new centre will cost £1,616,450. This will be funded £752,581 by the Leeds LEGI programme, £847,836 from the European Regional Development Fund (ERDF) and £16,033 from Leeds City Council (City Development).
- 5.3 Under the terms and conditions of the ERDF offer letter the proposed building must be used as an enterprise centre for a period of 20 years. Should the Council change its use within that period then it may be liable to repay some or all the ERDF grant provided.
- 5.4 There are no revenue implications for the Council as a full repairing and insuring lease will be issued to HFA who will also be responsible for absorbing any operational losses incurred.

## **6.0 Conclusions**

- 6.1 In the wider context the Leeds LEGI programme provides the City Council and its partners with a significant opportunity to create new businesses, local wealth and jobs within some of the City's most deprived communities.
- 6.2 This particular project, through the availability of external funding, provides a one off opportunity to create a physical enterprise presence in the heart of one of the City's most deprived communities, which will act as a local enterprise hub to make a significant impact in addressing the high levels of unemployment and low levels of self-employment that currently exist in the area.

## **7.0 Recommendations**

- 7.1 Executive Board is requested to:-
- i) Give authority to incur expenditure of £1,616,450 on the proposed Middleton Enterprise Centre.

## **Background Papers**

Leeds LEGI Bid – 2006  
Health for All's submission as part of Leeds LEGI programme open commissioning process – 2007  
ERDF bid to Yorkshire Forward June 2009  
Middleton Enterprise Centre Business Plan, 2009-2019