



---

## Joint Report of the Director of City Development and the Director of Environment & Neighbourhoods.

### Executive Board

**Date: 22 August 2007**

**Subject: The former Royal Park Primary School**

---

**Electoral Wards Affected:**  
Hyde Park & Woodhouse

**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)

---

### EXECUTIVE SUMMARY

1. The report seeks a decision from Executive Board regarding the disposal of this property for refurbishment.
2. This follows the receipt of proposals submitted in response to a programme of marketing approved by Executive Board on 16 August 2006 which included the requirement for any development to retain the main school building and to provide for the inclusion of a new public library and community space.
3. In line with the decision made at that meeting, this report recommends the disposal, through the grant of a long leasehold interest at a premium quantified in the accompanying confidential report, to the preferred developer with the required library and community space being the subject of a long sub-lease back to the Council, at a peppercorn rent.
4. Members of the Executive Board on 16 August 2006 noted that the pursuance of any proposal under its decision would require the Council to use its powers under the 2003 General Consent to dispose of the property at less than best consideration.
5. The recommendations are made in the context of the high cost of implementing the original aspirations for the retention and refurbishment of the building for Council purposes where the total funding gap exceeds £1,250,000.

## **1.0 Purpose of this report**

- 1.1 This report seeks the approval of the Executive Board to the disposal of the Royal Park property, by way of the grant of a long leasehold interest and at a premium quantified in the accompanying confidential report, for refurbishment by a private sector developer with the scheme including a library and community space for Council occupation.
- 1.2 It also seeks approval to the use of the Council's powers under the 2003 General Consent to dispose of the property at less than best consideration.
- 1.3 It seeks approval to the Council taking a long sub-leasehold interest, at a peppercorn rent and including break clauses at appropriate times, in those areas of the building to be occupied as library and community space.
- 1.4 Further, the report seeks approval to a proposal that the fit-out of the library and the community space should be undertaken by the recommended developer but at the Council's expense.

## **2.0 Background Information**

- 2.1 Executive Board, in November 2003, approved in principle the retention of the Royal Park building for Council purposes with some space for community use following the closure of the school in September 2004.
- 2.2 The Executive Board report gave the refurbishment estimate at £1.701m, whilst potential contributions to the scheme amounted to £1.350m. The shortfall, of £351,000, was to be funded from mainline Capital Programme resources.
- 2.3 Since that time, with the exception of the potential to move Burley Library and some youth office staff from Headingley Community Centre Annexe into the proposed development, other possible users (and therefore funders) have withdrawn, reducing capital contributions by £270,000 to £1.08m.
- 2.4 A number of other possibilities have been looked at. These include:-
  - i. the potential use by community organisations, however, officers have been unable to identify any funding to facilitate this option;
  - ii. the potential conversion of the first floor for residential retaining the ground floor for community space including a library. This option was tested by a housing association and based on their appraisal, not considered viable;
  - iii. use as Independent Living accommodation for Council purposes, however, the premises were not considered suitable;
  - iv. the relocation of the Teaching and Learning Service, which again, following consideration, was not considered suitable;
  - v. private sector residential conversion retaining the current building: tested with a developer - not considered viable at that time, but a mixed use scheme incorporating and potentially enhancing the Council's community requirements with a new building and parking on the site considered viable.

- 2.5 Costs have been updated and, in August 2006, were estimated at £2.335m, including the capital contribution of £250,000 required to fund the Education Leeds capital programme: an increase of £634,000. This left a total funding gap of £1,255m.
- 2.6 In all of these circumstances, a solution had not been found that could result in the retention of the building by the Council at a cost which officers felt would represent value for money and could be recommended to Executive Board as a viable and sustainable proposition.
- 2.7 Accordingly, in August 2006, Executive Board approved proposals for the marketing of the property with a requirement that the main school building should be retained and that the refurbishment should include a library and community space.
- 2.8 This report explains the response that has been received to that marketing, with the commercially sensitive details contained in the accompanying confidential report.
- 2.9 The information contained in the Appendix attached to this report relates to the financial or business affairs of a particular person, and of the Council. This information is not publicly available from the statutory registers of information kept in respect of certain companies and charities. It is considered that since this information was obtained through inviting of best and final offers for the property/land then it is not in the public interest to disclose this information at this point in time as this could lead to random competing bids which would undermine this method of inviting bids and affect the integrity of disposing of property/land by this process. Also it is considered that the release of such information would or would be likely to prejudice the Council's commercial interests in relation to other similar transactions in that prospective purchasers of other similar properties about the nature and level of offers which may prove acceptable to the Council. It is considered that whilst there may be a public interest in disclosure, much of this information will be publicly available from the Land Registry following completion of this transaction and consequently the public interest in maintaining the exemption outweighs the public interest in disclosing this information at this point in time. It is therefore considered that this element of the report should be treated as exempt under Rule 10.4.3 of the Access to Information Procedure Rules.
- 2.10 A total of seven proposals were received in response to the marketing but from only six developers.
- 2.11 One of the proposals did not comply with the requirement that the building should be retained; proposing as it did that the whole site should be redeveloped. This proposal was, accordingly, excluded from any further consideration.
- 2.12 An assessment of the six remaining schemes was undertaken for their appropriateness against the marketing brief.
- 2.13 Only four of the proposals were considered worthy of further detailed investigation, and the developers proposing these schemes were invited to submit additional details. The justification for excluding the other two schemes is given at paragraph 1.4 in the accompanying confidential report.
- 2.14 Of these four developers, one withdrew immediately and a second failed to submit the additional details requested.
- 2.15 It should be noted that a late offer for the building has been received very recently from the Royal Park Community Consortium. The financial implications for the Council

of this offer are discussed more fully in the accompanying confidential report. The offer was received some six months after the closing date of the marketing period. It has not been possible for officers, in the time available, to evaluate fully the consequences for the Council if this offer were to be considered but a verbal report could be made at Executive Board if Members so wish.

### **3.0 Main Issues**

- 3.1 The two remaining developers did submit the additional information requested to allow their schemes to be appraised more fully.
- 3.2 Both intending developers can bring experienced teams, the necessary financial resources and the appropriate experience in dealing with the conversion of similar buildings to their proposals.
- 3.3 Each developer can demonstrate a good track record in addressing the consultation process that would be required and has given a commitment to undertaking more than would be required simply by the planning process.
- 3.4 Whilst there are some similarities between the two proposals, in that the main use of the former school building is intended to be for residential purposes, that each scheme proposes the demolition of the former superintendent's house and that each scheme does meet the requirement of providing space for a library and community use, there are also quite significant differences between them.
- 3.5 These differences do make it easier to assess how close is the fit of the proposals to the Council's, and the community's, aspirations for the contribution that the former school building will make to the local area.
- 3.6 The first scheme proposes that all of the school building, other than the area given over to the Council's uses, should be converted to residential use with around 40 apartments. These would be a mix of 1, 2 and 3-bedroomed apartments for sale on the open market. The proposed scheme would include parking for 27 vehicles. A management company would be responsible for the common parts of the residential development and there would be a complete separation between the residential parts and the Council's uses.
- 3.7 The library and community spaces are given rather larger floor areas than was required by the marketing brief and are distributed across three floors.
- 3.8 The intending developer would be required to reach an agreement with the Council as to the fit-out of the Council's areas so the whole of the completed development could open on the same day. This agreement would need to demonstrate how the Council could be sure that it was receiving value for money with these works and that they were properly supervised during the refurbishment.
- 3.9 The developer would, of course, have to comply with the Local Planning Authority's planning policies and, in particular, address the issues of affordable housing.
- 3.10 The second scheme proposes that the more recent extensions to the school building should be demolished and replaced with some more appropriate and sympathetic new-build elements. The main use of the resulting mix of refurbished and new-build space would be for around 80 age-related assisted-living units, with on-site warden accommodation, to be sold to and managed by a specialist private sector company. There would be communal facilities such as a lounge and it is also proposed that the

development would offer “drop-in” facilities to provide access for members of the local community. These facilities would also be operated by the same specialist company.

- 3.11 As it is expected that only very limited parking demand would be created by the age-care use, only 7 parking spaces are proposed for the whole development.
- 3.12 Additionally, the intending developer proposes the creation within the building of a small retail (or similar use) unit. This would be to meet local demand only and, given its small scale, it could not serve a larger area of the city.
- 3.13 The library and community spaces are just a little larger than required by the marketing brief and are distributed across two floors of the building.
- 3.14 Here again the developer would be required to undertake the fit-out works for the Council’s space and comply with the requirements of the Local Planning Authority.
- 3.15 There is a difference between the values of the financial offers that have been made with the first scheme offering a somewhat larger receipt to the Council as detailed at paragraph 1.1 of the accompanying confidential report.
- 3.16 It should be noted that each of the schemes proposes the demolition of the former caretaker’s house. This is required to provide sufficient servicing access and parking for the refurbished school building. This demolition is not regarded as particularly significant nor breaching the spirit of the Council’s requirement to retain the main school building.
- 3.17 This has, therefore, not been a significant element in the appraisal of the schemes given the aspirations of the Council and the community and the various restraints that have, intentionally, been placed on the form of development. It is these aspirations and restraints that lead to the advice that the Council should, in these circumstances, consider a disposal at less than best consideration (and this point is addressed more fully in Section 7 of this report).
- 3.18 It should be noted that the closure of the current Burley library in Cardigan Road (which is in a poor state of repair) is implicit in the recommendations. This proposed closure has been a feature of the proposals for the refurbishment of the former Royal Park School from the outset. The Library Service has confirmed that the new facility at Royal Park will enable it to deliver a better service overall.

#### **4.0 Ward Member Consultation**

- 4.1 The property is in the Hyde Park & Woodhouse ward but, at the time of the original Executive Board report, was in the Headingley ward. Accordingly, Members for both Hyde Park & Woodhouse and Headingley wards have been consulted. They were advised of the changing circumstances and, at the time of the August 2006 report accepted that it was not feasible to deliver the original aspirations and were supportive of marketing the property for refurbishment to include a library and some community space. They felt there is no lack of convenience shopping in the area and that this should be excluded from the marketing brief as should student housing.
- 4.2 Ward Members were not supportive of any options which would involve the demolition of the property even if such a disposal required the provision of a library and some community space.

- 4.3 Ward Members were advised of the proposals that were received in response to the marketing and were supportive of the approach taken by officers to invite additional information from four developers.
- 4.4 All of the Ward Members for Hyde Park & Woodhouse and Headingley did receive a presentation from the two developers on the final shortlist that provided that additional information.
- 4.5 With one exception, all of the Members felt that it would be appropriate to support the recommendation made by officers that one of the schemes should be selected as the preferred option. These Members also supported the suggestion made by officers that the exact nature of the use of the community space should be informed through detailed consultation with them and the local community subsequent to the Executive Board decision as to which of the two remaining proposals, if either, should be selected.
- 4.6 The remaining Member, from the Hyde Park & Woodhouse ward, has indicated that he does not support the recommendation made by officers to select a preferred developer unless a binding commitment is made at the time of the Executive Board meeting to include a gymnasium or indoor games facility in the community space.

## **5.0 Implications For Council Policy And Governance**

- 5.1 The option to dispose of the property at Royal Park to a private sector development which includes an element of Council and community use will still comply with the Corporate Plan for 2005-08.
- 5.2 The relevant theme is that all communities are thriving and harmonious places where people are happy to live. This will be achieved through the provision of a modern library, other community facilities, and good quality residential or retail development.

## **6.0 Legal and Resource Implications**

- 6.1 The originally envisaged scheme, costing some £1,701,000, would have made a significant call, £351,000 upon the Council's flexible capital resources. The latest estimate for a similar scheme to that originally proposed implies that the call upon these resources would increase by a further £904,000 to a total of £1,255,000.
- 6.2 The disposal of the property for a commercially funded refurbishment or redevelopment would limit the cost to the Council to that related solely to the provision of a library and any other community space specified. In addition, the capital that could be raised through the disposal of the property and of other surplus assets already identified will enable the new scheme to be cost positive to the Council.
- 6.3 It is proposed that the fitting out cost for the library and the community space should be met from the capital receipt but no detailed estimate of the likely cost of this can be given until a scheme and developer have been selected because of the different spaces that are proposed for these uses and because of the consultation process that is suggested to determine the nature and content of the community space.
- 6.4 Members should note that it is proposed that the developer selected will be required to fit out the library and community space to a specification to be agreed by the Directors of City Development and of Environment & Neighbourhoods and that the Director of City Development will be responsible for ensuring that the cost of these works represents value for money. This requirement arises because of the risks that would arise from having two sets of contractors on the site at the same time and the

need to ensure that the whole of the refurbished building can be opened simultaneously. The Council does have a Framework Contract for the fit-out of libraries and it will be necessary to waive Contract Procedure Rule 8 to allow the selected developer to undertake these works. Similarly, it will be necessary to waive Contract Procedure Rule 11 or 12 (dependent upon the cost of the works) in respect of Intermediate or High Value Procurement.

6.5 It should be noted that a general consent has been given under Schedule 35A of the Education Act 1996 for the disposal of land used by community or county schools at any time within 8 years preceding the date of disposal where the area of land is less than 8,000m<sup>2</sup>, as is the case here, subject to certain provisions which are not applicable at Royal Park.

6.6 Similarly, a general consent has been given under Section 77 of the School Standards and Framework Act 1998 to the disposal or change of use of hard play areas, social areas and other ancillary social and recreation or habitat areas that surround the buildings at closed or closing schools where no other schools share or border the site.

## **7.0 Best Consideration**

7.1 The Director of City Development advises that disposal on the open market with no requirement to retain the former school building or restriction over future use is the method most likely to result in the Council achieving the best consideration that can reasonably be obtained under section 123 of the Local Government Act 1972 (or under the Housing Act 1985).

7.2 The Council does have powers, where land is not held for housing accommodation purposes (as in this instance), to dispose of land and buildings at less than best under the 2003 General Consent.

7.3 There are strict limitations on the application of this General Consent. In particular, the purpose for which the property is being sold must be likely to contribute to the achievement/promotion of the economic, social or environmental well-being of the area or people living or working there, subject to not allowing a "discount" of more than £2m. The unrestricted value of the site, based upon the value achieved by the Council in the disposal of a similar site in the vicinity, is significantly less than that figure.

7.4 If Members are minded to support the retention and refurbishment (by the private sector for sheltered living accommodation) of most of the existing buildings on site, then this would constitute a less than best disposal and Members would need to be satisfied that the disposal would be likely to contribute to the achievement/protection of the economic, social and environmental wellbeing of the area or of people living or working there.

7.5 It is believed that disposing of the property in accordance with the recommendations of the report is likely to contribute to the economic and social well-being of the area in the following ways:

- i. Notwithstanding the fact that the buildings are not listed or in a conservation area, Members may be of the view that the architecture of the property is worthy of retention and complements the street scene.
- ii. Members may consider that the current building provides more of a focus and landmark for the community, giving a greater sense of community than would a

new build alternative even if that new building alternative included space for Council and community use.

- iii. The provision of a new library within the building.
- iv. The provision of space within the building for community use.
- v. Through not increasing the stock of housing for sale in the area or the likely resultant increased demand for parking which cannot be satisfactorily accommodated within the site boundary.

7.6 Members are advised that the recommended disposal does not breach the European Commission's rules on State aid. The Council has undertaken a competitive process with more than one prospective buyer and was seeking to impose special obligations on all prospective buyers who would have to be able to meet those obligations.

7.7 Although the proposed disposal would be at less than best consideration, it has to be borne in mind that the Council will be provided, at no direct cost, with building space sufficient for the provision of a new library and for community use. It is difficult to put a precise value upon this space but, if a separate building were to be constructed for these purposes, the cost would be in the order of £680,000. Refurbished space will be of a rather lower value but, in any event, the value achieved would go towards reducing the impact of the disposal at less than best consideration.

## **8.0 Risks**

8.1 It has taken much time and effort, on all sides, to reach a point where a recommendation can be made to Executive Board as to the selection of a particular developer with a particular scheme which is thought to be both acceptable, in terms of the community benefits that it brings, and deliverable within a reasonable period.

8.2 During that time, the building has been at risk and there have been a number of instances of vandalism and theft despite the security measures that have been taken. It is advised that the continuing risks, should a developer not be appointed at this time, are quite considerable, with the loss of the building itself being a possibility. Early agreement to a development proposal with the hand-over to a developer and the delivery of the scheme itself in the shortest possible time would limit those risks.

8.3 At the moment, there is a broad measure of agreement, with the exception of one Member from Hyde Park & Woodhouse who has specific aspirations for the use of the community space that he wishes to see resolved in advance of the decision by Executive Board, that the recommended approach does meet the aspirations of the Ward Members and, to a large extent, of the community. Any delay, with the uncertainty that this would bring, risks losing that consensus.

## **9.0 Conclusions**

9.1 It has to be recognised that, whichever of the two schemes is selected, considerable additional work will be required to bring it to a satisfactory completion and that the consultation process itself is likely to result in a number of variations.

9.2 Both City Development and Environment & Neighbourhoods will have a continuing role in this work, over and above that required by the planning process, and will work with the developer to ensure that the consultation is thorough and meaningful.



- 9.3 The precise nature of the use of the community space can be determined during the consultation period to ensure that it meets the needs and aspirations of the community and the service requirements of Environment & Neighbourhoods.
- 9.4 So far as the specific aspirations of one of the Hyde Park & Woodhouse Members is concerned, it is difficult to envisage how an activity such as indoor football could be incorporated without creating too great a disturbance to other building users even if a way could be found to allocate sufficient floor space. This reservation does not apply to the suggestion of a gymnasium use. However, this use would also be quite space consuming when all the ancillary needs such as changing rooms and showers are allowed for. Providing space for either indoor football or a gymnasium would limit the space that could be provided for other community purposes. It is suggested that all of the possible community uses can be explored fully during the consultation period.

## **10.0 Recommendations**

- 10.1 Members of Executive Board are asked to note the conclusions of the report and:
- i. approve the recommendation made in the confidential report above that a preferred developer should be selected on the basis of the schemes described at section 3 above
  - ii. approve the proposal made at 3.21 above that the disposal should be on the basis of less than best consideration exercising the Council's powers under the General Consent 2003 as set out in 7.1 to 7.4 above
  - iii. approve the disposal of a long leasehold interest in the property to the selected developer at the value set out in paragraphs 3.3 and 3.8 of the confidential report subject to a requirement that the Council be granted a sub-leasehold interest, at a
  - iv. approve that the decision on any "less than best" reduction in this disposal value which may arise as a result of the detailed negotiations should be delegated to the Director of City Development in consultation with the Executive Member for Development and Regeneration
  - v. approve the consultation process described at 4.5 above to determine the precise nature and use of the community space
  - vi. approve the commencement of negotiations with the preferred developer for the undertaking of the fit-out of the library and community space as part of the main contract for the refurbishment with the costs of these works to be deducted from the capital receipt, subject to the Directors of Environment & Neighbourhoods and City Development being satisfied that these costs represent value for money

Background information:

Executive Board report: Primary School Review (Hyde Park area) July 2003

Executive Board report: Royal Park Primary School Site 12 November 2003

Executive Board report: The Former Royal Park Primary School 4 August 2006