

**Report of Director of City Development**

**To Executive Board**

**Date: 11 September 2007**

**Subject: Harehills Middle School – Allocation of Grant to Harehills CIC**

**Capital Scheme Number 13378**

**Electoral Wards Affected:**  
Harehills

**Specific Implications For:**

Equality & Diversity	<input type="checkbox"/>
Community Cohesion	<input type="checkbox"/>
Narrowing the Gap	<input type="checkbox"/>

Eligible for Call In

Not Eligible for Call In  
(Details contained in the report)

**Executive Summary**

The Council has successfully been offered £15.6m of funding over the next three years as part of the Local Enterprise Growth Initiative (LEGI) programme. This programme aims to encourage enterprise in the most disadvantaged parts of Leeds. One of the projects is to support Development Trusts to become established in these areas. The second of these projects is to support Harehills CIC (Community Interest Company) to renovate Harehills Middle School to provide incubation workspace and meeting rooms in Harehills. This will require a LEGI funded grant of £900k to be provided via the council to Harehills CIC. This report seeks to release an additional £500k of the £4.7m of LEGI funding already included in the approved capital programme to be used for this purpose. A grant of £400k was approved in February 2007.

**1.0 Purpose of this Report**

This report seeks authority to spend an additional £500,000 of the £4.7m of LEGI funding already included in the approved capital programme for a grant to allow Harehills CIC to refurbish Harehills Middle School. This will increase the total value of the grant to Harehills CIC to £900,000. The LEGI board is supportive of this proposal.

**2.0 Background Information**

2.1 The Leeds LEGI programme is a £15.6m programme to encourage enterprise in Leeds' most deprived areas. The areas of particular focus are the Super Output Areas (SOAs) which are amongst the 3% most deprived in the UK. Success will be achieved through a variety of projects delivered by partners such as Leeds Chamber, Leeds Ahead and

Development Trusts. Of the £15.6m, £4.7m is capital and has therefore been included in the capital programme.

- 2.2 In 2003 Yorkshire Forward provided Single Pot funding of £842,000 for works to secure and weatherproof the Harehills Middle School building (which has been vacant since 1992) while options were considered to assess potential alternative uses and bring the building back into use.

### **3.0 Main Issues**

#### **Design Proposals / Scheme Description**

- 3.1 For Harehills CIC to begin trading at Harehills Middle School it will incur expenditure of approximately £5.12m and it is requesting an increased capital grant of £900k towards these costs. A detailed business plan has been developed by Harehills CIC and is currently being used to raise finance from socially aware investors. It is considered likely that Harehills CIC will be successful in obtaining funding due to the strength of its business plan. A grant of £400,000 was approved in February 2007 but due to difficulty in finding the necessary level of investment from other sources the request is being increased by £500,000 to a total of £900,000.
- 3.2 The total capital cost to purchase, refurbish and fit out the former Middle School is £3.8m, with additional revenue costs of up to £1.3m. Capital costs are being financed by commercial loan finance (£2.2m) with gap funding of £700,000 from the European Regional Development Fund leaving a shortfall of £900,000 requested from the LEGI programme. In addition to this capital grant, revenue support from LEGI has also been provided for £555,000.

#### **Consultations**

- 3.3 Consultation on the project has been undertaken as part of the wider consultation process on the LEGI bid with local communities, ward members and the St James Partnership. Feedback from the consultation has been supportive of this particular project.

#### **Programme**

- 3.4 Harehills CIC have taken possession of the school and will open it for community uses in the summer of 2008. Negotiations on the terms of transfer were successfully completed in February 2007.

### **4 Implications for Council Policy and Governance**

#### **Compliance with Council Policies**

- 4.1 This project complies with Council policies, strategies and initiatives and the Council Plan, in particular:
- Competing in a Global Economy - Access to Employment - working towards creating new jobs and breaking down barriers to work, so that residents, particularly from our most deprived areas, can access new jobs.
  - Equality - Ensuring that opportunities are available for all on a fair and equal basis including DDA Act compliance.

#### **Community Safety**

- 4.2 That the proposals contained in the report do not have implications under Section 17 of the Crime and Disorder Act 1998.

## 5.0 Legal and Resource Implications

5.1 State Aid regulations have been considered throughout the development of the LEGI programme and the proposed funding structure for this project will fully comply.

### Scheme Design Estimate

5.2 Harehills CIC will be incurring total expenditure of £5.12m, capital costs of approximately £3.8m and revenue of up to £1.3m.

### Capital Funding and Cash Flow

5.3 A total sum of £4.7m is included in the approved capital programme scheme number 13303 and will be fully funded by LEGI.

Previous total Authority to Spend on this scheme	TOTAL £000's	TO MARCH 2007 £000's	FORECAST				
			2007/08 £000's	2008/09 £000's	2009/10 £000's	2010/11 £000's	2011 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	1026.6		986.6	40.0			
<b>TOTALS</b>	<b>1026.6</b>	<b>0.0</b>	<b>986.6</b>	<b>40.0</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 2007 £000's	FORECAST				
			2007/08 £000's	2008/09 £000's	2009/10 £000's	2010/11 £000's	2011 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	500.0		340.0	160.0			
<b>TOTALS</b>	<b>500.0</b>	<b>0.0</b>	<b>340.0</b>	<b>160.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2007 £000's	FORECAST				
			2007/08 £000's	2008/09 £000's	2009/10 £000's	2010/11 £000's	2011 on £000's
LEGI	4700.0		1700.0	1500.0	1500.0		
Total Funding	4700.0	0.0	1700.0	1500.0	1500.0	0.0	0.0
<b>Balance / Shortfall =</b>	<b>3173.4</b>	<b>0.0</b>	<b>373.4</b>	<b>1300.0</b>	<b>1500.0</b>	<b>0.0</b>	<b>0.0</b>

### Risk Assessments

5.4 If the additional £500,000 is not approved the project will not proceed.

## 6.0 Conclusions

6.1 The refurbishment of Harehills Middle School is vital for the whole LEGI programme, not least because it will house a Catalyst Centre. Allocation of an additional £500,000 of LEGI funding will allow the project to proceed.

## 7.0 Recommendations

7.1 Executive Board is requested to:

- Approve the scheme, as detailed in the above report, at a revised estimated total cost of £900,000 ( £400,000 previously approved ); and
- Give authority to incur expenditure of £500,000 towards refurbishment of Harehills Middle School to be met from LEGI scheme 13303 in the approved capital programme.