



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

The annexe to this report is confidential under 10.4(3) of the Council's Access to Information Procedure Rules

Executive Board

Date: 14 November 2007

Subject: The former Headingley Primary School

Electoral Wards Affected:
Headingley

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

The report addresses the issues that have been raised through the submission of a business case from Headingley Development Trust seeking the transfer of the ownership of the former Headingley Primary School to it, at less than best consideration. The Trust has previously been offered a six-month period to develop its business plan and funding arrangements in connection with its proposal to establish the Headingley Enterprise and Arts Centre (HEART).

An earlier report was prepared for the September meeting of Executive Board which recommended that the request for a further period of exclusivity in respect of the transfer of the ownership of the property should be declined. This was because of continuing uncertainty about the Trust's funding proposals, the limited contribution that its business proposals make to supporting the output targets of the Council, because of the loss of the envisaged capital receipt and the total extent of financial and other support required from the Council and because of the subsequent risks to which the Council would be exposed.

However, that earlier report was deferred to allow the trust and officers a short period of time to explore possible mechanisms to compensate for what was viewed as the significant barrier of the loss of a capital receipt and to allow the Trust to contribute rather more, through its proposals, to the Council's service objectives in the area.

The Trust has submitted the latest information that it has prepared and is now seeking an in-principle agreement that the Council will transfer the ownership of the building at nil consideration and support the Trust in submitting a request for funding towards the cost of refurbishment of the property to the Community Asset Transfer Fund.

Whilst there still remain some uncertainties and challenges regarding the viability of the Trust's business case, this report offers a basis upon which the request from the Trust could be supported, should Executive Board so wish, subject to a number of conditions. These conditions include an agreement from the Trust that it will take on the responsibility for providing, at its expense, all those functions currently provided from the Headingley Community Centre for a period of 25 years without detriment to these important local services. Under this proposal, the Headingley Community Centre would close and the consequent revenue saving to the Council would facilitate unsupported borrowing by the Council equivalent to the market value of the former primary school. The Inner North West Area Committee has given its support to the closure of the existing Community Centre subject to this condition being met.

The Council could also further protect its interests, should the HEART business fail at any future date, through imposing a first charge against the property should a lease be granted.

In addition, the Council would be able to generate a Capital Receipt from the subsequent disposal of the current Community Centre.

The conditional financial support that the Inner North West Area Management Committee has offered to the Development Trust has been noted in the evaluation.

Should Executive Board determine to support the Trust, the report also seeks approval for the marketing of the former Community Centre, on an open market basis, to support the Capital Receipts programme.

Executive Board should note that the proposal to transfer the asset to the Trust relies on the Council being able to service the cost of non-supported borrowing for a period of 25 years at a rate of almost £50,000 per year. This would remove the financial flexibility that the Council might otherwise have had in the light of other Government initiatives aimed at improving access to and use of alternative community assets, such as Extended Services, Children's Centre and Youth Hubs.

It is recommended that any decision of Executive Board to support the Trust should be exempt from the usual call-in period. This recommendation is made because the proposed application to the Community Asset Transfer Fund has to be submitted by 15 November. Under the Leeds Constitution a decision may be declared as being exempt from Call-In if it is considered that any delay would seriously prejudice the Council's or the public's interest.

The Trust's application to the Community Asset Transfer Fund is for £750,000 which would be the greatest part of the capital cost of the building refurbishment which it proposes.

Should Executive Board decide to support the request from the Trust, this report recommends that a long-stop date of 30 June 2008 be established by which date the Trust should be required to have made substantial progress towards achieving all its funding arrangements. If this is not achieved, this report seeks delegated authority for the Directors of City Development and Environment & Neighbourhoods to proceed with the marketing, on a wider basis, of the former primary school.

1.0 Purpose Of This Report

- 1.1 This report considers the request made by the Headingley Development Trust to transfer the former Headingley Primary School site to the Trust at nil consideration so that it can be developed as an enterprise and arts centre. Following an appraisal of the proposal by officers the report identifies an arrangement which Executive Board may feel would justify support for the Trust's request. If Members do agree to provide such support it is recommended that measures are put in place for the marketing, at an appropriate time, of the former Headingley Community Centre to support the Capital Receipts programme.

2.0 Background Information

- 2.1 The former Headingley Primary School is a two storey late Victorian building of 598 m², with a modern detached single storey block of 159 m² and a separate two storey superintendent's house located in the Headingley conservation area on Bennett Road (See Plan 1). The school closed at the end of the 2005/06 academic year following public consultation on a proposal to close Headingley and St Michael's CE Primary Schools and to establish a one form entry primary school on the St Michael's site.
- 2.2 In reporting to Executive Board (21 October 2005) when seeking approval to the closure of the school, Education Leeds did note the view expressed by community representatives and those associated with the school that the building should be retained for some form of community use.
- 2.3 However, Capital Programme assumptions have been made about the funding required for the decanting and temporary remodelling works needed at the St Michael's (now Shire Oak) school estimated, by Education Leeds to cost £1,182,000 plus fees. This includes approximately £100,000 of work to be funded by the Early Years Service budget.
- 2.4 Executive Board did determine in October 2005 that any capital receipt generated from the disposal of the school would be used to fund primary review works including improvements on the St Michael's Primary School site.
- 2.5 Accordingly, the building was declared surplus and passed to Development Department for disposal.
- 2.6 However, a proposal was received from a new local development trust seeking a period of exclusivity during which the property would not be disposed of to allow that trust to prepare a case for the transfer of the ownership of the former school to the trust and its subsequent refurbishment of the property as a centre for social and community enterprises as well as private businesses. It should be noted that the former superintendent's house does not form part of the HEART business plan and will be sold separately to support the Council's Capital Programme.
- 2.7 This proposal was reported to Executive Board in December 2006 with a recommendation that the request should be declined because the value to the Council of the tangible and intangible outputs that could be identified were insufficient to justify a disposal at less than best consideration and that arrangements for the marketing of the property (for disposal at market value) should continue.

- 2.8 Executive Board resolved to accept the request for a period of exclusivity to be granted to the Headingley Development Trust to allow it to work up a business case to support its proposal for the transfer of the ownership of the property.
- 2.9 The six-month period of exclusivity came to a close in July and a report was submitted to Executive Board in September this year but consideration was deferred to this meeting to allow a further two month's extension to the Trust.
- 2.10 The Trust has presented the progress it has made to officers of Environment & Neighbourhoods and City Development for consideration by the Council. A summary of the Trust's business plan is attached as Appendix 1 with a more detailed development plan and financial statement being provided by the Trust and used as the basis for the appraisal by officers.
- 2.11 The proposal from the Trust also identifies the creation of the Community Asset Transfer Fund by central government through the Office of the Third Sector and the opportunity that this offers the Trust to secure grant funding towards the extensive programme of alteration and refurbishment it proposes for the building. It should be noted that this grant funding is only available to the Trust if there is a firm and settled agreement that the Council is willing to transfer either the freehold or a long leasehold interest in the property. If Members are minded to support the principle of transferring the ownership of the school to the Trust then it is recommended that the Council should support the Trust's application to the Fund. It can be noted that this support would have no impact upon the Council's financial position
- 2.12 The information contained in the confidential annexe attached to this report relates to the financial or business affairs of the Council. It is considered that the release of such information would or would be likely to prejudice the Council's commercial interests in relation to the disposal of this property or other similar transactions 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.

3.0 The changed position since September 2007

- 3.1 The period since July has been used for further consideration of the Trust's proposals and to see if a mechanism could be developed that would permit the transfer of ownership of the school at nil consideration but without impacting adversely on the Council's financial position.
- 3.2 This work has been undertaken to achieve a "cost neutral" position for the Council and to lessen the need to consider the proposed outputs from the Trust's plans to be evaluated in terms of justifying a less than best consideration whilst still giving sufficient justification for one to one negotiations being undertaken.

4.0 The Trust's Proposals

- 4.1 Further to the resolution made by Executive Board, officers have liaised with representatives of the Headingley Development Trust about the development of its business plan proposals for the HEART scheme. In summary the Trust proposes that:

- the Headingley Primary School building is sold or leased to them at nil consideration and at a peppercorn rent.
- the City Council supports the Trust's bid for up to £750,000 from the Community Asset Transfer Fund

4.2 A business plan summary developed by the Trust is attached as Appendix 2 to this report. In addition to the headline proposal identified above, the Trust has developed a full business plan outlining its proposals for the building.

4.3 A summary of the business plan is provided below:

4.3.1 **Aims and objectives** – the Trust has developed specific aims and objectives for their proposal, the Headingley Enterprise and Arts Centre (HEART) which are:

- to support the start-up of new businesses in Headingley, particularly arts and media related enterprises.
- to provide a flexible set of well-designed spaces that can be used commercially and by the community for meetings, training, conferences, exhibitions, performances, classes etc.
- to ensure that HEART will be self-financing after the initial investment and refurbishment period.
- to contribute to the renewal of Headingley as a sustainable community
- in the long-term, the Trust wishes to stimulate a lively mix of commercial activity in the centre of Headingley to influence the housing market and to provide additional high quality community facilities.

4.3.2 **Capital Proposals** – The Trust has sought to identify the capital funding package that it can put together to support its proposals for the building. The Trust plans to spend up to £1.35m on the refurbishment and remodelling of the building including measures that will address energy conservation and other “green” issues.

- The Trust has been awarded £15,000 by the Adventure Capital Fund as a step towards an application for total support of £400,000.
- The North West (Inner) Area Committee has indicated that it is prepared to grant £100,000 capital to the project and this is a measure of the support from local Members. It should, however, be noted that this support is conditional upon all of the other necessary funding being in place.
- Around £50,000 has been raised from a share issue to local supporters and the target of this share issue is £100,000 as a minimum.
- In total, the Trust has raised around £65,000 to date with the offer of an additional £100,000 from the Area Committee, noted above, as the final component in the funding package.
- Unfortunately, the Trust's application for £480,000 from the Big Lottery Fund has been declined.

- Similarly, the Trust made an application for £100,000 from the Leeds Enterprise Growth Initiative (LEGI) but this was declined .It is unlikely that any subsequent LEGI application from the Trust would be any more successful as Headingley is not a “super-output” area.
- Accordingly, the Trust now propose that the £1.35m of funding required to address the refurbishment and conversion of the building and provide sufficient working capital would come from the following sources:

Funding Source	£ 000's
Adventure Capital Fund	400
Community Share Issue	100
Inner West Area Committee	100
Community Asset Transfer Fund	750
Total	1,350

- At the request of Council Officers, the Trust has undertaken its own sensitivity analysis of the capital funding proposed. By undertaking this analysis they have developed a ‘worst case’ scenario which forecasts £700,000 of capital funding for the project. Should this scenario arise, the Trust would look to deliver an £800,000 ‘low cost’ refurbishment of the premises and raise the additional £100,000 required through fundraising activity.

4.3.3 **Planned outputs** – The Trust has sought to identify the intangible and tangible outputs that they will generate should its proposal be accepted. In terms of the intangible benefits, the Trust sees the facility as a focus for graduate enterprise activity in the digital and media industries. In addition, the Trust plans to contribute to the overall revitalisation of Headingley by increasing the footfall for existing local businesses.

- In terms of tangible outputs, the Trust’s plans include the creation of 10 jobs per annum, the creation of 8 new businesses per annum and the support of 120 businesses through their proposed catalyst centre network.

Taken together, these outputs are felt to be sufficient to justify one to one negotiations with the Trust rather than disposing of the property by way of open marketing.

4.3.4 **Revenue Funding** – The Trust has developed its revenue forecasts for its first three years of operation. It forecasts an annual operating cost of £163,000 in the first year against an income position of just over £130,000, which equates to a deficit of nearly £33,000. By year 3 the Trust forecasts a surplus of nearly £28,000.

- The primary income stream is rent generated through the catalyst centre which is supported by Café income and room/venue hire.
- The Trust has indicated that it does not envisage making any future request to the Council for support towards the financing of its core business activities.

4.4 Officers' commentary upon the proposal, the business plan and the implications for the Council.

4.4.1 In considering the proposal from the Headingley Development Trust outlined above, officers have considered whether:

ISSUE	RESPONSE
The proposal is aligned to the Council's stated strategic outcomes and priorities?	The proposals outlined by the Trust would contribute to the Council's strategic outcome of 'All communities are thriving and harmonious places where people are happy to live' although at this stage the extent to which this could be the case is difficult to assess.
The capital funding proposals are robust and deliverable?	The capital funding proposals of the Trust are at risk of not delivering sufficient investment to enable the project to progress as planned. The Trust is seeking £750,000 from the Community Asset Transfer Fund. Any application made by the Trust would require the Council to support this proposal. Officers are able to recommend to the Executive Board that this support can be offered.
The tangible and intangible outputs afford value for money in the context of the value of the property and the opportunity cost to the Council's existing Capital Programme priorities?	It is probable that the proposed centre would bolster community spirit among long-term, permanent residents. It has been possible to identify a way to avoid an adverse impact upon the Council's Capital Receipts programme through the Trust taking on the responsibility and cost of delivering the important current service functions of the Headingley Community Centre.
The revenue funding proposals are realistic and sustainable?	Officers have considered the robustness of the revenue projections particularly in terms of the Trust's ability to finance any ongoing increases in expenditure forecasts and/or shortfalls in income. The trust forecasts a surplus at the end of year 3 of £27,834 against a total income of £226,000 in that year. Consequently, should the actual income or expenditure vary by only a small amount, it is apparent that the Trust would not be in a position to finance its operations without further fundraising or drawing on any additional resources it may have. It is recognised that for new organisations operating in the third sector, this position is not unique but, with the other considerations, it is an added risk. It has been made clear to the Trust that officers will not be able to recommend that any future Council financial support should be made available

- An application by the Trust to the Local Growth and Enterprise Initiative (LEGI) was declined because as the proposed development is not in a target area, although it does fall within the wider sphere of influence. For all of the LEGI investments, and in particular for the capital projects, the intention is to maximise the impact on those Super Output Areas that fall into the worst 3% nationally. For this reason, the Council is currently supporting the establishment of Development Trusts and community owned assets in Chapeltown, Harehills, Beeston, Seacroft, Belle Isle, Middleton, Gipton and Bramley. However, it is considered that a similar business catalyst-type development to that which was proposed under the LEGI application would be

an attractive proposition to the entrepreneurs and business graduates from the two nearby universities.

- Although there will be a further LEGI commissioning round in the new year, this will not be targeting Headingley. The Development Trusts Association project for support to emerging trusts in Leeds will not include specific support to Headingley Development Trust in its work programme. Whatever the merits of the organisation or the robustness of its business plans, there are no plans to provide LEGI support to Headingley Development Trust as any outputs or outcomes from its work would be of only marginal relevance to the programme.

4.4.2 In conclusion it is suggested that there are five key issues for Members to consider in determining this request. These are:-

- the opportunity cost to the Council of foregoing a potential Capital Receipt and the subsequent impact upon the funding of the Primary Review works.
- the risk of revenue costs being incurred should the project be only partially successful and subsequent requests for further funding made despite the assurances that are being offered at the moment
- the limited financial support that the Trust has been able to gather over the past nine months from other potential funders such as the Big Lottery Fund and the Local Enterprise Growth Initiative. Officers feel that the identification of capital and revenue funding for the HEART scheme remains a significant challenge for the Trust
- the precedent that would be set in other areas of the district through supporting a project which is, at this stage, a new venture which will be exposed to difficult challenges in reaching viability.
- the links between the proposal and the Council's Corporate Priorities

5.0 Ward Members consultation

5.1 Ward Members are supportive of the Trust's proposals but acknowledge the need for the Trust and/or the Council to identify resources to cover the costs of the proposed improvements at the Shire Oak School and the need to ensure that the Enterprise and Arts Centre could support its own revenue running costs.

5.2 The North West Inner Area Committee has shown its support for the principle of the project and has offered £100,000 capital, conditional upon all other necessary funding being in place.

5.3 Ward Members have expressed the view that the Council should require the retention of the fabric of the former school building in any disposal of the property. The Trust's proposal would accord with this view. However, the Council could, if it so determined, impose a similar requirement upon any other potential purchaser.

5.4 Ward Members have also expressed the view that the Council should, in any disposal of the former school property, exclude student accommodation and bars from the range of uses which could be considered. They are of the opinion that this exclusion would contribute to the Council's strategic outcome of 'All communities are thriving and harmonious places where people are happy to live' Here again, the Trust's proposal would accord with this view as no licence would be sought for the

proposed café. Similarly, the Council could, if it so determined, impose this restriction upon any potential purchaser.

- 5.5 Ward Members are seeking similar restrictions upon the disposal of the current Headingley Community Centre should this become surplus to the Council's requirements with the transfer for the responsibility for the delivery of its functions to the Trust. The uses which Ward Members feel should be excluded are drinking establishments (Use Class A4), hot food takeaways (Use Class A5) and student housing.

6.0 Implications For Council Policy And Governance

- 6.1 Community ownership of assets – the Council seeks to empower community organisations to underpin the creation of strong and prosperous communities. To this end, the Council has traditionally granted a range of leases of land or buildings to community organisations, which are aligned to delivery of strategic outcomes set out in the Council Plan. Where a request is received for property at less than market value, it is evaluated through the Council's 'Less Than Best Consideration' policy which assesses the capital opportunity cost of the proposal to ensure that it is appraised on a consistent basis and satisfies Council Plan objectives. Organisational capacity, financial and constitutional safeguards on revenue resources are included within this evaluation.
- 6.2 In relation to the Quirk Review on Community Ownership of Assets and the Government White paper on Strong and Prosperous Communities, the Council could, if it so wished, accept this request to transfer the ownership of the former primary school as being in line with the Community Centre Strategy which is aimed at optimising the distribution, level of usage and quality of community facilities across the district.
- 6.3 The Council does have a policy on the General Fund programme which does impact on the position here. In August this year, Executive Board approved a report which included the point that capital receipts from sites on the existing disposal programme cannot be diverted to other projects and initiatives. This does mean that the potential receipt from other disposals already in the disposal programme in the Headingley area cannot be used to support the Trust's proposals.

7.0 Legal And Resource Implications

- 7.1 For the Council to forgo some or all of the planned receipt from the disposal of the former Primary School would mean a shortfall in the Capital Receipts programme.
- 7.2 However, this immediate shortfall could be made up through the unsupported borrowing that could be generated through the Council being relieved of the revenue costs of maintaining and servicing the nearby Headingley Community Centre. It is demonstrated in the confidential annexe to the report how these savings could be capitalised to replace the capital receipt that would arise from the disposal of the former school. Additionally, the Council would then be in a position to generate other capital receipts from the disposal of the Community Centre.
- 7.3 The grant of a long lease, for a term to be agreed between the Council and the Trust, could protect the Council's position through ensuring that it had first call, by imposing a charge on the property, in the event of a business failure on the part of the Trust. It should be noted that this would impact upon the Trust's ability to raise funding

against its assets but is felt to be an essential component of any agreement between the two parties.

7.4 Supporting the request may set a precedent which would militate against the Council delivering its corporate objectives. There are many instances across the city of Council premises no longer required for their original operational purpose. It is common for local organisations to seek to retain these buildings for community use. If such requests are supported, the buildings are no longer available for disposal to contribute to the Capital Receipts programme which in turn supports the Council's approved Capital Programme unless, as is the case in this instance, other savings can be identified.

7.5 The Council could, if it so decided, support the request from the Trust for an in-principle agreement to transfer the ownership of the former school at nil consideration.

8.0 The risks for the Council in supporting the request from the Trust

8.1 The Council would be exposed to the risk and cost of securing the building whilst the Trust sought to finalise funding support for its proposals and whilst the necessary agreements were concluded. This risk would not arise should the Executive Board determine not to support the request from the trust and, instead, instruct officers to arrange for the early disposal of the property on the open market. This risk could be managed, to some extent through on-going security measures but experience elsewhere in the city does show that significant damage can occur.

8.2 Even if the building is secured, there would be the risk that the condition of the building would deteriorate during that time and the Council would end up in possession of a building with a reduced value should the Trust be unsuccessful in its fund-raising efforts. This risk can be managed by imposing a firm deadline for the conclusion of negotiations with the Trust and for the Trust's fundraising.

8.3 There is a risk that, even if the Trust is successful in its fund-raising efforts, its long term business plan could fail. It is probable that the Trust would seek loan support against the security provided by the value of the building. In these circumstances, the loan provider would normally seek to have first call upon the Trust's assets. However, it should be noted that officers would recommend that the Council should not agree to the grant of a first charge on the property to any other party.

8.4 There is a risk that the Trust will not be able to achieve all of the funding support that it is seeking. Working with the Trust, officers have established a long-stop date of 30 June 2008 by which time all realistic funding sources will have been explored by the Trust. It is recommended that the Trust should be required to have made substantial progress by that date towards achieving all of its funding arrangements. Should that substantial progress not have been made, it is recommended that the former school would then be sold on the open market and the operations of the Headingley Community Centre would continue as at present.

8.5 There is a risk that the users of the Community Centre may be concerned that their access to community facilities is not guaranteed to continue. Executive Board is asked to note that the transfer of services to the HEART scheme is being presented as an operational decision and that no reduction in amenity or facility to users is foreseen on the basis of the approach that has been outlined. This risk could be addressed through regular consultation by officers and a detailed legal agreement between the Council and the Trust covering service delivery standards and

expectations. An outline of this agreement is contained within Appendix 1 to this report.

- 8.6 There is a risk that the Trust will fail, at some future date, to meet the terms of the agreement reached in respect of the delivery of the important services currently provided from the Community Centre. This risk could be addressed through the establishment of a client monitoring regime reporting back to the Area Committee.
- 8.7 There is a risk that, even if the Trust's fund-raising efforts are successful, it might not be able to carry through the refurbishment successfully, or may breach the conditions of its funding in some way, with the result that the Council could end up with the building back but in an uncompleted state. This risk could be addressed, to some extent, by the Council monitoring the progress of the refurbishment works.
- 8.8 There is a risk of market conditions changing adversely during the period that the Trust makes its application to the Community Asset Transfer Fund and completes its other funding because of events entirely outside the Council's control. Any significant rise in the general level of interest rates could impact quite severely on the demand for and value of development opportunities. This risk could also be managed through setting a time limit for the conclusion of negotiations.

9.0 Conclusions

- 9.1 The Trust argues that there would be benefits in supporting the request. These would include the retention of a well-remembered building in and for the community, the potential for contributing to the economic well-being of the area and the creation of exhibition and arts facilities in the area. Officers can advise that this would be in line with Council policy objectives.
- 9.2 The previously envisaged Capital Receipt which is required to fund the current Capital Programme could be made up through capitalising the revenue savings achieved from the transfer of the responsibility for the services currently provided from the Headingley Community Centre.
- 9.3 There would be some significant risks to the Council if it agreed in principle to the disposal of the former primary school and allow an additional period of exclusivity. These relate to the security of the building, the Health & Safety risks flowing from keeping the building vacant, the possible reduction in its value should market forces change, and the extended period during which the Council could be open to accusations of inactivity.
- 9.4 Additionally, the Council would be exposed to the possibility of requests for financial support from the Trust should the business plan prove less than robust once the property was in use as proposed by the Trust. It could be difficult to decline such requests if the building was in reasonably substantial use but the revenue stream was less than necessary. The Trust claims that this risk is small because it would undertake not to make any such request but clearly this cannot be guaranteed.
- 9.5 Should the business plan fail, then the Council would be left with a building from which a third party had been providing services but was less than fully utilised. To dispose of the building at that stage, it might be necessary to relocate these services once again and other premises would have to be acquired. However, it is proposed that the Council should take a first charge against the Trust's interest in the property for a period of 25 years. This would allow the Council, once again, to take on the cost of providing the services of the Community Centre should this prove necessary.

The Council would also have had the benefit of the capital receipt from the disposal of the current Community Centre.

- 9.6 Works proposed by the Trust would, if completed satisfactorily, almost certainly add to or protect the value of the building because of the alterations that are intended.
- 9.7 A period of gradual decline in the viability of the proposed centre could reduce the expenditure by the Trust on routine maintenance and this could also affect the value of the asset. The grant of a long leasehold interest rather than a freehold disposal would allow the Council to retain powers of inspection and of requiring that necessary maintenance works should be undertaken.
- 9.8 When viewed overall, the Headingley Development Trust's proposals do not require the Council to face a significant reduction in its Capital Receipts programme and the taking of a charge on the building will reduce the Council's exposure to financial risk.
- 9.9 The business plan prepared by the Trust is thought to be as credible as could be reasonably expected at present. Members are, however, asked to note that there remain some considerable challenges relating to the revenue assumptions of the Trust's business plan as indicated above at 4.4.1
- 9.10 If Members were to support the request from the trust, it is suggested that the Council should grant that the Trust a licence, with effect from a date no later than 30 June 2008, of the property allowing it to undertake the necessary works of refurbishment and conversions with a full repairing and insuring lease of the property being granted only subsequent to the completion of those works and the relocation of the activities provided from the community centre. It can be noted that the Community Asset Transfer Fund, if it awards any grant, will require that the lease should be granted within six months of the completion of the works. The details of the licence and lease that could be granted are contained within Appendix 1 to this
- 9.11 Further, if Members were to support the request from the Trust, it is suggested that the Directors of Environment & Neighbourhoods and City Development should establish an officer group to work with the Trust during the period prior to any lease being granted to ensure that proper progress is being made and, in particular, to finalise the arrangements for the future delivery of the important services currently provided from the Community Centre.

10.0 Recommendations

- 10.1 Members of Executive Board are asked:
- i. to advise whether they wish to support the request from Headingley Development Trust to be given an in-principle agreement that the Council will grant a long-leasehold interest at nil premium and at a peppercorn rent subject to the Trust demonstrating by 30 June 2008 that it has made substantial progress towards achieving all of its funding arrangements and the Trust agreeing to take on all financial and other responsibility for delivering the services provided from the Headingley Community Centre for a period of 25 years.
 - ii. to instruct officers, should the Trust not have made that substantial progress by 30th June 2008, to proceed with the open marketing of the former primary school as part of the Capital Receipts programme.

- iii. to advise whether they wish to accept the request from Headingley Development Trust for the Council to support the Trust's application to the Community Asset Transfer Fund and, if Members do determine to support the Trust, to approve the Partnership Agreement as set out in Appendix 1 and authorise the Chief Executive to sign the relevant part of that application on behalf of the Council to allow its submission by the deadline date of 15 November 2007. This will require Members to agree that this decision should be exempt from the usual call-in period.

- iv. subject to the Trust being able to complete its funding arrangements and open the proposed HEART centre to instruct officers to make arrangements for the disposal of the Headingley Community Centre, at open market value, once it becomes vacant.

The draft agreements between the Council and the Trust.

These draft agreements relating to the possible relationship between the Council and the Trust have been negotiated on a Without Prejudice, Subject to Contract and Subject to Council Approval basis.

They are required at this stage, rather than subsequently, because of the support that the Council may be prepared to offer to the Trust in its application to the Community Asset Transfer Fund as they would have to accompany any such application.

They cover the proposed service delivery agreement in respect of the transfer of community services from the Headingley Community Centre to the HEART scheme, the licence that could be granted to allow the Trust to undertake the works of refurbishment following the successful completion of its fund-raising activities and the lease that could be granted to the Trust following the completion of the refurbishment works themselves.

It does seem likely that these three agreements can be incorporated in a single legal document, a Building Lease, and discussions are currently underway between the two parties and their legal advisors.

1.0 The service delivery agreement

- 1.1 This agreement between the Trust and the Council shall endure for a period of 25 years or such longer period as may be agreed between the two parties.
- 1.2 The principle behind the agreement is that the Trust shall take on all of the financial and management responsibility of delivering the services currently provided from the Headingley Community Centre without detriment to the amenity of facility to users of the community centre.
- 1.3 It is not intended that this agreement should require the Trust necessarily to provide rooms or facilities to those organisations which have, from time to time, hired space within the community centre on a casual or irregular basis.
- 1.4 The agreement requires that the Trust evidences its commitment to equal opportunities in delivering services to the community
- 1.5 The agreement will be monitored by the Council for compliance
- 1.6 Disputes between the two parties that cannot be resolved by reasonable efforts on both sides, shall be referred to an independent third party for arbitration

2.0 The licence to occupy and carry out works

- 2.1 The licence is intended to allow the Trust to undertake the refurbishment works to the building once its fundraising has been completed.
- 2.2 It shall commence on 30 June 2008 and endure for not more than six months.

- 2.3 Failure by the Trust, by that date, to provide evidence of all of the necessary funding shall mean that all the agreements between the Council and the Trust shall be terminated.
- 2.4 By that date, the Trust shall have secured all necessary consents to undertake the refurbishment works.
- 2.5 The Trust will permit the Council to inspect the works to ensure that they are being undertaken in accordance with those consents and in a thorough and workman-like manner. This permission is in addition to any rights that the Council may have as the Local Planning Authority.

3.0 The lease

- 3.1 The lease shall commence no later than 1 January 2009 and shall have a term of 125 years.
- 3.2 The lease shall be at nil premium and on the basis of a peppercorn rent.
- 3.3 The lease shall require the Trust to meet the full repairing and insuring liabilities of the property. It will allow the Council regular access to both the building and to the financial record of the Trust to ensure that a proper programme of maintenance is being undertaken and that any necessary works have been carried out in a thorough and workman-like basis.
- 3.4 The lease will not allow the grant of a sub-lease to any other party other than one with similar objectives. The consent of the Council to such a sub-lease will not be unreasonably withheld.
- 3.5 A continuing breach of the terms of the lease itself or of the service delivery agreement which shall be attached to the lease shall permit the Council to terminate the lease. The Trust shall have reasonable opportunity to correct any such breach.
- 3.6 Any unresolved dispute over any such breach alleged by the Council shall be referred to independent arbitration.



HEART

Headingley Enterprise and Arts Centre
Business Plan Summary (November 2007)
(The full Business Plan is available from the Trust on application)

Executive Summary

The background

- Headingley Development Trust was established in 2005 by local residents and has grown rapidly into an impressive local organisation with 690 members, and two small businesses up and running. Its Board benefits from the involvement of people with a wide range of relevant skills and experience, and has a range of professional expertise at its disposal.
- The HEART project will be the flagship project for the Trust, bringing together the community centre function and a new, arts and enterprise facility.
- The aim of the project is to provide a different kind of environment in the centre of Headingley which will change the dynamic of the current alcohol- fuelled street scene by bringing other activities and people into the area.

The capital funding

- £1.3m (approx) of development capital is being sought from the following sources to refurbish the property (£k)

* Community Share Issue	100	(£50k raised so far)
* Adventure Capital Fund (ACF)	400	(100 grant, 300 loan)
* North West Inner Area Committee	100	(agreed)
* Community Asset Fund	750	(application subject to Leeds City Council support)

Sustainability

- The project will be financially sustainable, producing income from the business Catalyst and commercial lettings of the café and other spaces.
- We expect to break even in year two.
- Turnover is expected to be approximately £226,000 per annum with a profit rate of 13%.
- Although the loan element of the capital funding will probably need to be secured on the building, the ACF does not require a *first* charge on assets.

Progress

- HDT has secured funding for a worker (or workers) to project-manage HEART during the refurbishment;
- Professional advice has been obtained on the structural, architectural and environmental aspects of the refurbishment and drawings and costings produced;
- ACF development grant (£15k) has been secured for business case advice, including advice on the tendering and leasing process for the café;
- The share issue has been launched and produced £50k so far;
- An application for the Community Asset Fund is in preparation;
- Community and local small business users of the HEART centre have been identified.

The Vision

For the Headingley Development Trust to will acquire the disused Headingley Primary School on Bennett Road, Headingley from Leeds City Council and convert it into a Community Enterprise and Arts Centre that will:-

- Provide space in the heart of Headingley for community meetings and events; exhibitions; performances; conferences and training.
- Create a user-membership in the Catalyst of 100 culture and media businesses housing up to 30 at any one time in a flexible workspace and generating up to 10 new businesses a year — a business model based on the successful London Hub.
- Bring together permanent residents, students, graduates and the universities in an exciting mix of community and cultural activity and community-led enterprise development.

Summary of Figures

- 9,400 square foot building, with 6,500 square foot of lettable space ¶¶
- Space and offering: events / conference hall 15%, training / meeting rooms 25%, workspace 50%, Café 15%
- Investment requirement: £1.3m
- Turnover: E226,000 in year 3
- Profit before tax of 13% of income at that point

Summary of Provision

A hall with stage (and backstage) that will seat around 80 — 100. ¶¶ Three meeting rooms (300 sq ft) and a dividable training room (1,000 sq ft)

First floor and mezzanine workspace for start-ups and mobile professionals (2,750 sq ft), that will offer a fully serviced IT environment, workspaces, relaxation areas and meeting rooms.

A café to seat 40 -50 persons including outdoor seating ¶¶

THE USERS

- Voluntary and community groups
- Local residents, including long-term and transient (e.g. student) population
- Start-up businesses, home based professionals, local business members
- Events organisers and individuals organising social occasions
- Musicians, artists, actors and exhibitors
- Businesses and professionals needing training space
- University graduates

The impact on Headingley

In addition to the advantages of keeping the building in community use and introducing much needed new facilities to central Headingley, HEART will:-

- 1) Provide a focal point for the whole community where a range of community activities will take place
- 2) Create a cultural buzz in Headingley
- 3) Extend the local business base
- 4) Encourage graduates to stay on and make Headingley their permanent home, leading to a renewed stability of population
- 5) Develop a model green building

Headingley Development Trust

In just two years, Headingley Development Trust (HDT) has attracted almost 700 members and sunk deep roots in the residential and business community.

We are part of the rising Development Trust movement in Leeds (and a member of the Development Trusts Association), representing a new form of community activism that uses enterprise and asset ownership to regenerate communities and move away from grant dependence.

HDT's development of a monthly Deli market and community buy-out of a local shop has generated enormous enthusiasm. We will capture that enthusiasm and the networks of our partners to develop the user base of HEART. Our community- centre function will be at the centre of the project, and the community will be the beneficiary of funds raised by the commercial aspects of HEART.

The combining of community and cultural activity with cultural enterprise will demonstrate the potential of community enterprise to excite people. The world of work is changing. We are experiencing the emergence of more flexible working patterns, the growth of self-employment, the heightened sensitivity to work-life balance and the increasing desire to pursue more meaningful, values-driven opportunities. The Catalyst will provide the platform, resources and networks to capitalise on these global trends.

The business proposition

Break-even is expected in year two. Turnover is expected to be approximately £226,000 per annum with a profit rate of 13%.

- £1.3m development capital is being sought from the following sources to refurbish the property (£k)

*	Community Share Issue	100
*	Adventure Capital Fund	400
*	North West Area Committee	100
*	Asset Transfer Fund	750
- The cost of refurbishment of £1.3m allows for a high standard of finish and ambitious improvements in the environmental impact of the building

The management structure

HDT is in discussion with *Wrigleys* Solicitors about the final form of HEART governance, its relationship to HDT and the options around charitable status.

The intention is that HEART will have operational independence with a Board of specialists in the arts, media, marketing, legal, finance and property fields, but that HDT will have a controlling share in the business and use surpluses for community reinvestment.

HDT itself is an Industrial and Provident Society with a Board of 10 elected by the membership. Business and regeneration experts are already present on the Board, but co-opted support has been agreed with individuals from *Yorkshire Bank* and *Schofield Sweeney* (property lawyers)

Progress to date

The Building

The professional team has completed designs and costings, which include the integration of the modern block with the old school and the creation of a mezzanine in the business area. It includes environmentally sensitive ventilation, heating and energy saving designs.

Capital costs

- £100k has been granted by the Council's North West Area Committee.
- The *Adventure Capital Fund* has awarded £15k of development money as a step towards accessing the full £400k (part grant, part loan). They do not require a first charge on the building as security.
- £50k of share money was been raised in the first month of the issue.
- The Community Asset Fund has been launched and HDT is preparing an application, dependent on the Council's support.

Revenue

- Discussions about usage with both universities (e.g. through their Arts, Media and Business Schools) and local colleges are on-going.
- The business plan has been independently scrutinized by a major facilities management company (*Operon*) and accountants *Horwath Clark Whitehill*.
- *Triodos Bank* have expressed an interest in financing the cash flow needs of HEART

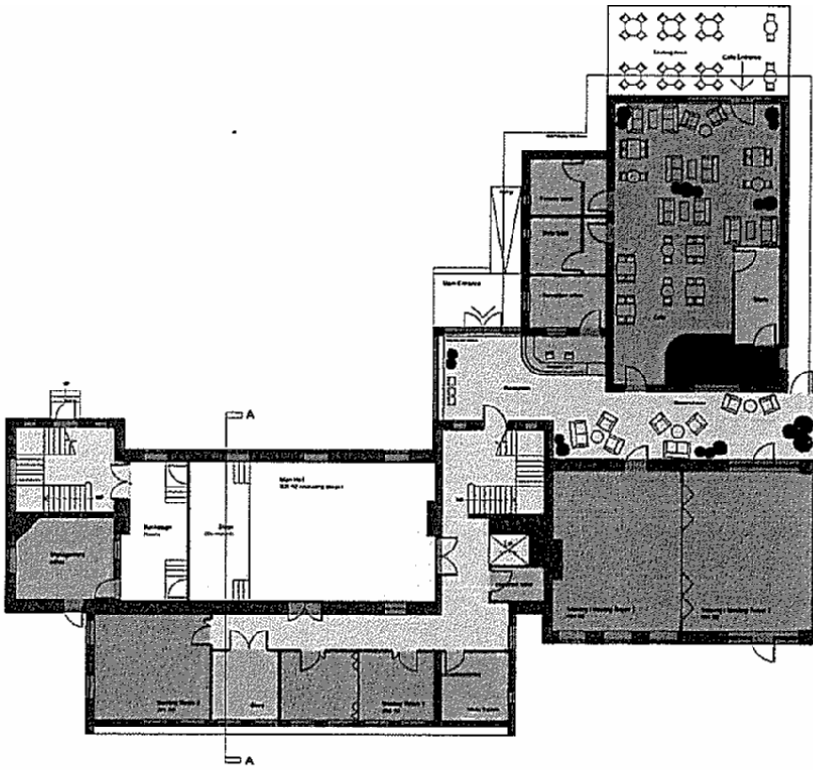
- Sources of arts funding are currently being explored

The Users

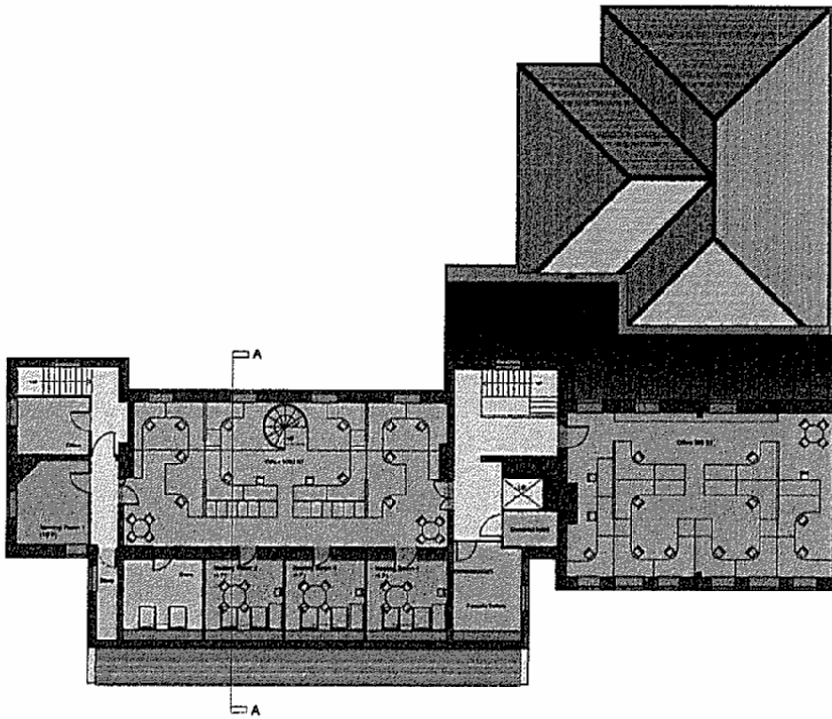
- Current users of the community centre will be given some priority in booking the spaces in HEART, subject to the agreement between LCC and HDT
- Five potential Café tenants have made unsolicited approaches to HDT, four of them existing businesses. The opportunity will be put out to tender and HDT is being professionally advised on the tender process and lease conditions.
- Twenty-seven groups and businesses have expressed an interest in regular use of HEART — none of them currently using alternative venues

The Management

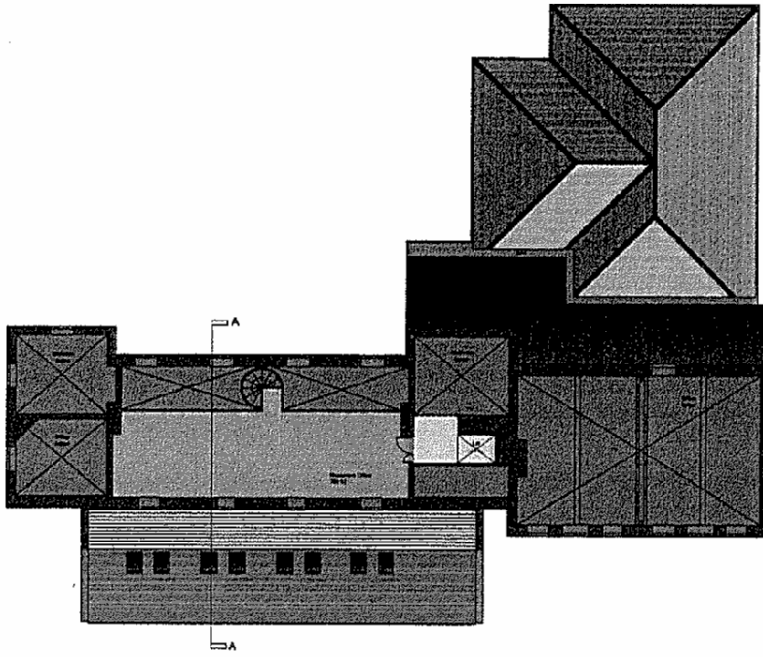
- HDT has recently secured funds of over £100k to support a full-time (or equivalent) development worker over the next three years. The worker(s) will project-manage the HEART development.
- The Board of HDT has been offered support from *Yorkshire Bank, Brahm, The Workhaus* and *Schofield Sweeney*.



Ground Floor Plan



First Floor Plan



Mezzanine Level Plan



Side elevation

HEADINGLEY PRIMARY SCHOOL BENNETT ROAD HEADINGLEY LEEDS LS6



← SUBJECT SITE



LAND OWNED BY
LEEDS CITY COUNCIL



LAND LEASED OUT BY
LEEDS CITY COUNCIL



LAND SOLD BY
LEEDS CITY COUNCIL



FORMER CARETAKERS
HOUSE



Leeds
CITY COUNCIL

PREP BY SUE HALLIDAY

DATE 14/08/2007

OS No SE2736SE

Scale 1:1,250

PLAN No 10141/A

