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Appendix Not for Publication:

Report of the Director of Learning and Leisure and Director of Development

Executive Board

Date: 15 November 2006

Subject: Site 1 Quarry Hill – Proposed sale of site and Capital Grant to Northern Ballet Theatre Company and Phoenix Dance Theatre for the construction of Dance HQ

Electoral Wards Affected:

CITY & HUNSLET

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. Northern Ballet Theatre Company and Phoenix Dance Company wish to construct a new dance/theatre headquarter facility on Site 1, Quarry Hill, Leeds. Discussions have been ongoing for a number of years to achieve this facility as part of a combined commercial development on this site.
2. However, the cost of a stand alone facility is financially unviable. The development could be cross subsidized by combining it with a commercial development. The developer Rushbond plc have proposed a detached commercial building on the same site, the land value being used to cross subsidize the shortfall in funding.
3. The purpose of this report is to seek Executive Board approval to the revised Heads of Terms in principle and for the disposal of the site to Rushbond, the Council making a capital grant to the Northern Ballet Theatre Company (NBTC) and the Phoenix Dance Company Theatre (PDC) for the construction of their dance headquarters on Site 1, Quarry Hill. In addition, the Boards of both companies have requested the City Council to use its prudential borrowing powers in order to assist them in funding the scheme, the cost of which would be met by reducing the grants that the Council currently makes to the two organizations. The report sets out arrangements by which the City Council can assist in this way and seeks the approval of the Executive Board to the proposals.

1.0 BACKGROUND INFORMATION

1.1 On 4 April 2001 the Executive Board approved in principle:-

- (i) The disposal of Site 1 Quarry Hill (as shown on the attached plan) to K W Linfoot plc on a long lease to facilitate the construction of dance headquarters for NBTC and PDC.
- (ii) The payment to NBTC/PDC of a grant equivalent to the capital receipt obtained from the disposal of Site 1 Quarry Hill.

1.2 The report also set out the basis of the project as follows:-

- i) Disposal of site 1 Quarry Hill (approximately 0.4 hectares) at open market value for the construction of a speculative private mixed use development to include dance headquarters including rehearsal studios, administrative facilities, training rooms and a small auditorium for NBTC and PDC.
- ii) The costs of the dance headquarters to be met through capital grants from both the Arts Council for England (ACE) and the Council (equivalent to the net land value), plus sponsorship to be raised by NBTC/PDC to meet the gap funding.
- iii) The speculative development would include residential apartments, offices and restaurant/café bar space surrounding the dance headquarters.

1.3 The principle behind the proposal was that Site 1 Quarry Hill would be disposed of to a developer who as part of a residential/restaurant development would construct dance headquarters for NBTC and PDC. The cost of the dance facilities would be met through a combination of match funding from the Arts Council for England, the Council and sponsorship raised by both NBTC and PDC.

1.4 The building would serve as the headquarters for NBTC and PDC. It was to provide rehearsal, administrative, educational, technical, physiotherapy and fitness facilities for both companies. NBTC's main rehearsal space could be converted into a studio theatre for the use of either company.

1.5 Both companies have studios where lighting and sound facilities could be rigged and sets (partially) erected. This would allow sound/lighting designers and technicians the opportunity to experiment and practice prior to first night productions. These facilities would also assist artists to understand and identify more fully with work in rehearsal, as studio conditions will be closer to those experienced in performance. This would have enhanced artistic standards and benefit the companies.

1.6 Viewing windows in all studios will allow the general public, students, artists and workshop participants to observe rehearsals and/or classes taking place.

1.7 The report confirmed that the Council would have powers to make a grant for the scheme pursuant to Section 145 of the Local Government Act 1972. Section 145 empowers the Council to do or arrange for the doing of, or contribute towards the expenses of the doing of, anything necessary or expedient for the provision of "facilities for dancing" or "premises suitable for ... the holding of dances" or for the "development and improvement of the knowledge, understanding and practice of the arts" and for any purposes incidental to these purposes.

- 1.8 The report also confirmed that the grant derived from the capital receipt arising from the disposal of the site, would be made for the purposes of a regeneration project as set out in Regulation 85 of the Local Authorities (Capital Finance) Regulations 1997, and would be part of the Council's overall contribution to the regeneration of Quarry Hill in conjunction with other schemes such as the proposed BBC Headquarters and the College of Music (both of which have now been constructed and are in operational use).
- 1.9 The transaction with K W Linfoot did not proceed as the scheme proved financially unviable. Following the withdrawal of KWL a further report was considered on 18 December 2002 by the Executive Board. Approval was given to the following:-
1. The appointment of Bryant Homes Ltd as the preferred developer for Site 1 Quarry Hill after negotiations with K W Linfoot plc failed jeopardising the future of the project.
 2. The fully funded injection into the capital programme of a sum equivalent to the net value of Site 1 Quarry Hill to partially grant fund NBTC and PDC to construct dance headquarters at Site 1 Quarry Hill.
 3. The incurring of expenditure of an amount equivalent to the net value of Site 1 Quarry Hill for the Capital Grant to NBTC/PDC to construct the dance headquarters.
- 1.10 Detailed terms were then negotiated by Development Department Officers and on 6 February 2003 the Acting Director of Leeds Development Agency approved:-
- i) The Heads of Terms for the disposal of Site 1 Quarry Hill to Bryant Homes Ltd.
 - ii) The change in purchaser's name from Bryant Homes Ltd to Taylor Woodrow Developments Ltd (Bryant Homes Limited having been taken over by Taylor Woodrow Developments Limited).
- 1.11 The Executive Board at their meeting on 12 March 2003 approved the main heads of terms for the payment of a grant equivalent to the net value of the site to NBTC/PDC.
- 1.12 The Arts Council of England (ACE) also approved the payment of a capital grant of £2.56m to NBTC/PDC as a further contribution to the scheme.
- 1.13 Following their selection as the preferred developer Taylor Woodrow Developments (TWD) Ltd withdrew their interest in 2005 and did not wish to progress the developments. This was due to an internal restructuring at TWD and escalating construction costs.
- 1.14 Further to TWD's withdrawal, The Director of Development's approval was given on 21 February 2006 to invite offers and schemes for the development of the new Dance Facility from Caddick Developments Ltd and Rushbond plc. Rushbond, who had been invited by NBTC to work up proposals with NBTC and PDC, and Caddick Developments Limited, who are the preferred developer on the adjacent Council owned land at Quarry Hill.
- 1.15 A proposal was subsequently received from Rushbond. As highlighted earlier, other developers have been approached in the past and subsequently 'walked away' from the project. Caddick Developments Ltd decided not to submit a proposal.

- 1.16 From the financial appraisals it is clear that the cost of the Dance Facility as a stand alone building is prohibitive and financially unviable and needs to be supported by cross subsidy from the value realised by commercial development as proposed previously.
- 1.17 Rushbond's proposals are to construct two detached self-contained buildings, one being the dance facility for NBTC/PDC extending to a gross internal floor area of 4,200 m² (45,000 sq ft) over 4 levels, the other building to comprise the 'commercial building' which is not to exceed an envelope density of 14,400 m² (155,000 sq ft), the land value from the commercial part of the development (site A) will partially cross subsidize the construction costs of the dance theatres. The financial terms provisionally agreed will be reported in a confidential appendix to this report under the Access to Information Procedure Rule 10.4 (9) as the information contained therein is commercially sensitive and its release could jeopardize the current transaction under consideration.
- 1.18 Rushbond have undertaken a detailed appraisal of the proposal which has included a series of workshop meetings with NBTC and PDC and their joint project manager to ensure that the scheme design and specification was to the standard required to satisfy the Arts Council for England (ACE).
- 1.19 Further discussions have taken place with Rushbond Plc as to the structure of the legal agreements between the parties and the structure is outlined in the proposal of this report.
- 1.20 Detailed design has been agreed and the specification frozen. Costs have been estimated, but there is still a shortfall between potential funding. Therefore as part of the funding package for the dance facility the boards of both the NBTC and the PDC have resolved to request the Council to utilize its "Prudential Borrowing" powers to bridge the identified funding gap. The proposal is that the Council will borrow the money required and make additional capital grants to the two organizations, £750,000 to the NBTC and £200,000 to the PDC. The annual borrowing cost of making these capital grants would be met by the Council reducing its grants to the two organizations over a period of 25 years. The reduction in grant would be designed to recover principle and interest over the 25 years. Interest would be charged at the base rate applicable at the time the grants are provided, which is more or less equivalent to the marginal rate of interest which the Council borrows at. Once determined the rate of interest would be fixed for the full 25 years of the agreement. Currently the Council provides an annual grant of £257,040 to the NBTC, and these proposed arrangements would require a reduction in the Council's grant to the NBTC of around £53,000 in a full year (at current interest rates). The reduction in the Council's grant to the PDC, which is currently £83,640, would be around £14,000 in a full year (at current interest rates). By these arrangements the Council can be assured that the cost of the proposed capital grants to both organizations will be funded over the period of the arrangement, and in such a way as to ensure that there is no cost to the Council Tax payer.

2.0 MAIN ISSUES

- 2.1 Rushbond proposes the construction of 2 detached buildings on the site, which will require a planning application to be submitted for approval. It is proposed that the Council will grant an Agreement for Lease for site A for the construction of the Commercial Building to Rushbond and will simultaneously grant NBTC/PDC an Agreement for Lease for site B. The lease for site A will actually be taken by a wholly owned subsidiary of Rushbond, but guaranteed by the parent company. The premiums payable by Rushbond and NBTC/PDC will then be used to fund the capital grants which the Council will make to NBTC/PDC..

- 2.2 The subject site is shown on the attached plan and extends to approximately 0.37 hectares (0.9 acres), it is known as site 1, Quarry Hill.
- 2.3 Rushbond will construct the Dance Facility under a separate building agreement between Rushbond and the two dance Companies, the construction of the 'shell' and the 'fit out' will be to the agreed specification of both dance companies. Upon Practical Completion of that building, the Council will grant NBTC/PDC a 250 year Ground Lease of site B for a premium at a 'peppercorn' rent. Only then will Rushbond be granted a 250 year Ground Lease of site A for a premium at a 'peppercorn' rent, on which to construct the Commercial Building subject to the appropriate planning consents.
- 2.4 There will also be a Grant Agreement between the Council and NBTC/PDC for funding the construction of the dance facility as well as a legal charge between the Council, ACE and NBTC/PDC securing repayment of the grant and the prudential borrowing in case of default by NBTC/PDC.
- 2.5 The main Heads of Terms of the various agreements are as follows:-

A) **Agreements for Leases.**

- 1) Rushbond will be under an obligation to construct the dance facility development in accordance with a scheme and specification approved by the Council as landlord and by NBTC and PDC.
- 2) Rushbond will pay the premium for site A detailed in the confidential appendix plus VAT.
- 3) NBTC/PDC will pay the premium for site B detailed in the confidential appendix plus VAT.
- 4) Rushbond will pay the Council's legal and surveyor's costs as detailed in the appendix.
- 5) An overage agreement will be included in the Agreement for Lease. In the event that a higher value planning use is implemented by the developer, then the Council will receive a share of the enhanced land value. The share is identified in the confidential appendix.
- 6) The Agreement for Lease is NOT conditional upon an acceptable tender for the construction of the dance facility. The risk of any cost increase/overruns will be borne by the developer exclusively.
- 7) The Agreement for Lease for the Dance Facility site will be conditional upon the receipt of a satisfactory planning consent. Rushbond has held several workshops with the Council's Planning and Highways Officers and the Civic Architect and have incorporated their comments into the scheme design.
- 8) There will be a specific obligation placed upon Rushbond to construct and fit out the dance facility by a specific date. Should this date not be achieved then Rushbond will be liable for liquidated damages, the level of which yet to be agreed to NBTC/PDC for any undue delays that arise.
- 9) The Agreement for Lease to Rushbond is conditional upon the following,

ground investigation survey, detailed planning consent for the dance theatre building, detailed planning consent for the commercial building and the Agreement for Lease with NBTC/PDC

B) Lease to Rushbond plc

- 1) On practical completion of the dance facility building, Rushbond will be granted a 250 year leasehold interest of site A at a peppercorn rent, following payment of a premium.
- 2) Rushbond will be permitted to use the 'Commercial Building' for the following uses under the Town & Country Planning (Use Classes) Order 1987 (as amended) – A3 Restaurant and Café, A4 Drinking Establishment, B1 offices, C1 hotel, C2 Student Accommodation, C3 Residential, and D1 Educational use, each being subject to the appropriate planning consent being granted. In the event of alternative uses being implemented which generate a higher value than the Council will receive a share of the increased land value.
- 3) The 'commercial' building is not to exceed 14,400 m² (155,000 sq ft) excluding basement car parking. In the event of Rushbond achieving a planning permission for a building in excess of this limit then any increase in value would result in the Council receiving a share of the increase in land value. The share of uplift is identified in the confidential appendix.

C) Lease to NBTC/PDC

- 1) On the Council entering into the Agreement for Lease with NBTC/PDC, Rushbond will simultaneously enter into a separate Building Agreement with NBTC/PDC and the Council will enter into an Agreement for Lease with Rushbond. Upon practical completion of the dance theatre facility, NBTC/PDC will be granted a lease for 250 years at a peppercorn rent, following payment of a premium.

There will be a restrictive covenant in the NBTC/PDC lease restricting the use of the Dance Theatre building to Dance Theatre auditoria and ancillary headquarter offices.

- 2) The Agreement for Lease to Rushbond will include obligations to build the Dance Facilities to the approved specification and within an approved timescale.
- 3) There will be obligations on NBTC and PDC to pay Rushbond for the final agreed fixed cost of the dance building, subject to Rushbond constructing the building in accordance with the approved specifications. This will be a fixed price contract, if the total project costs exceed the anticipated costs, these will be borne by Rushbond.
- 4) A costs/grants table is set out in the confidential appendix identifying all the individual grants and costs for the scheme.
- 5) There will be an appropriate dispute mechanism for NBTC and PDC to ensure that the dance building is completed to their satisfaction together with that of the Council and the Arts Council.

D) **Grant Agreement**

There will be a separate agreement between the Council, Arts Council and NBTC/PDT for the payment of Grant Aid. As mentioned above, the premiums realized from disposing of sites A and B to Rushbond and NBTC/PDC will be used as a contribution toward the cost of construction of the dance building. It has been agreed that the Council will grant the receipt for site B prior to the commencement of construction of the dance theatre building and receipt for site A will be granted upon practical completion of the dance theatre building.

E) **User Rights Agreement**

The Council will enter into an agreement with both NBTC and PDC entitling the Council and its nominees to use the dance facility. The terms to be agreed by Learning and Leisure Department.

3.0 IMPLICATIONS FOR COUNCIL POLICY

- 3.1 The Council will make grants to NBTC and PDC equivalent to the premiums received for sites A and B as set out in the confidential appendix to this report.
- 3.2 In addition to the above premium NBTC/PDC will receive a grant payment from ACE of £3.56 million. This is made up of a grant of £2.56 million approved in 2003 and a further £1 million approved in September 2006.
- 3.3 NBTC/PDC will receive a grant of £500,000 from Yorkshire Forward (YF), currently held by the Council. Yorkshire Forward has identified the sum of £500,000 as a contribution to this scheme. This sum was included in their grant allocation for 2005. In order not to lose the 2005 allocation, the £500,000 contribution was transferred to the City Museum project, also supported by YF, replacing Leeds City Council funding, and thereby saving Council resources in 2005/06. However, City Council funding is now required to reimburse this project to the value of £500,000 albeit in the year 2007/08.
- 3.4 An injection into the Capital Programme will be required in the sum of £500,000 in respect of the Yorkshire Forward grant which was transferred to the City Museum project.
- 3.5 The Council has agreed to support NBTC and PDC in undertaking prudential borrowing of £950,000 in total to meet a shortfall currently identified in the overall funding package. The borrowing costs associated with £750,000 of this borrowing will be funded by reducing the annual grant to the NBTC, with the annual borrowing cost of the balance, being met by a reduction in the grant to the PDC. It should be appreciated that this arrangement whereby an element of the Council's current grants is used to fund borrowing costs does limit the Council's future discretion as to its annual grants to the two organizations, in so far as the element of the grants relating the funding of the annual borrowing will need to be maintained over the 25 years of the arrangement.
- 3.6 NBTC/PDC will also be raising additional sponsorship monies of £500,000 to contribute to the construction costs of the dance facility.

4.0 OPTIONS APPRAISAL

- 4.1 The options associated with the proposed framework are considered below.

The various options to the Council are as follows:-

- i) To do nothing.

This is not recommended as the Council has an ongoing liability for the site and is committed to promoting the Arts in the Cultural Quarter.

- ii) To sell the site on the open market for a commercial/residential development to achieve a higher value.

Although the Council could decide to sell the site to raise a capital receipt to support the Capital Programme, this is not recommended as the Council is seeking to support NBTC/PDC in this location alongside other cultural facilities including West Yorkshire Playhouse and the College of Music.

- iii) To relocate the Theatre Building to another location in the city.

This is not recommended, ACE's grant funding is dependant upon a high level of design quality. Consequently, the building providing the cross subsidy has to generate a sufficient value to help fund the gap. Although other locations have been considered none have been of a sufficient quality to support the 'Commercial Building'. The recommended option is to build at Quarry Hill.

- iv) Leeds City Council could provide a greater level of funding so that a cross-subsidy was not required.

This is not considered appropriate as it would call on other money supporting the Capital Programme.

- v) Developing stand alone dance facilities on Site 1 has been considered, but the cost of developing such facilities without support from surrounding private development would be prohibitive.

4.2 It is recommended that option ii to dispose of site 1 Quarry Hill to facilitate the development of a new dance facility for NBTC and PDC is the appropriate option to pursue.

5.0 RISK ASSESSMENT

5.1 The risks associated with the proposed transaction are considered below:-

5.2 Arts Council for England fails to make their grant contribution.

The Board of ACE in January 2003 have approved the making of a grant of £2.56 million, the Board of ACE have approved the additional £1 million at their Board meeting in September 2006. These grants are conditional on NBTC/PDC entering into the appropriate legal agreements, securing collateral Warranties and the designs being signed off by the Artistic Directors. The designs have been signed off by the Artistic Directors and the other 2 conditions will be met when the legal documents are completed.

5.3 **NBTC/PDC Fail to Secure the Gap Funding of £500,000 from Dance Sponsorship Monies**

Both NBTC and PDC are seeking sponsorship for the proposed scheme and are confident that the funds will be raised prior to Practical Completion of this dance facility. Rushbond have confirmed that they are prepared to commit to the contract subject, financially, to only this element of the funding not being secured. NBTC have another property asset which could be offered as security should Rushbond require it which would 'bridge' this gap in the short term.

5.4 **NBTC/PDC are not able to accommodate the reduction in the Council's annual grant funding**

Whilst the arrangement proposed whereby the Council's annual grants to the two organizations are reduced, ensures that the cost of the Council's capital grants can be funded over the 25 years of the agreement, there is a risk that either or both of organizations are not able to manage on a reduced grant from the Council. It is also possible that other factors may emerge over time that may impact upon the financial viability of the two bodies. Whilst it is clearly not possible to forecast the financial stability of any organization over a period as long as 25 years, discussions have been held with both organizations as to their financial position and their plans over the medium term. NBTC's latest accounts show them running at a surplus, and with reasonably healthy free reserves, representing 6% of turnover. Their medium term financial forecast which covers the period to 2011 includes reasonable assumptions as to inflation and increases in other costs as well as increases in funding. It provides for the reduction in the grant from the Council of £53,000 in a full year, which would be required should the proposed funding arrangement be agreed. The reduction in grant represents around 1% of the company's current income base. Reflecting the new facilities that the development will provide, the plan does provide for some growth in the company's income base due to increased number of performances and additional studio lettings. The company's medium term plan does show a reduction in free reserves over the planning period to around 2.3% of turnover by end 2010/11, but this mostly occurs in the plan's final year and relates to assumptions around the number of performances. The company is confident that their assumptions are achievable. PDC is a smaller company. The company has exited from an Arts Council recovery programme, and their current three year business plan covers the period to the 31 March 2007. . Their accounts for 2005/06 show a deficit of £85,917 on their unrestricted and designated funds, with free reserves of £113,454 at the end of the year. They are on course in the current year to reduce their in year deficit to around £32,000. The company state that improving the financial position is a key priority for their board, and a new business plan will be developed in the autumn in conjunction with their new artistic director. The reduction in grant to the company would be around £14,000 and represents approximately 2.0% of current turnover. The company state that with expanded facilities there will be opportunities for additional income generation to offset the reduction in the Council's grant

Whilst not directly related to the "prudential borrowing" arrangements, it should be noted that the Council together with the ACE will have a first charge on the building which does provide some additional security as to the use of public funding in this way.

5.5 **Potential Lack of Sufficient Electricity Supply for Quarry Hill**

Other developers around Quarry Hill are experiencing difficulties in securing electricity supply. Rushbond have commissioned Furnace Green M & E consultants to undertake a study in conjunction with Yorkshire Electricity to ensure that there is sufficient

electricity supply in this part of the city to supply the entire development. Yorkshire Electricity has confirmed that there is sufficient capacity in the immediate area to supply the required amount of electricity for both buildings.

5.6 **Negotiations Fail with the Preferred Developer**

If Rushbond fails to acquire the site or negotiations between NBTC/PDT, Rushbond and the Council fail, offers could be sought from developers on the open market in which case, increasing constraints due to the delay in the programme may adversely affect the viability of the project. In addition, the number of developers capable of delivering this scheme is limited due to the complexity and value of the scheme which suggests that another developer may be difficult to appoint (both Taylor Woodrow and KW Linfoot have tried in the past and failed). The scheme may fail to proceed and the Council would seek to dispose of the site on the open market to achieve best consideration.

5.7 **Scheme Costs**

The project costs are estimates only. If the total project costs exceed the anticipated cost, these will be borne by Rushbond. Neither Dance Company nor the Council will be liable for any further increase.

5.8 **NBTC/PDC Board Approvals**

Both dance companies have received their Board approvals on 28 September 2006 to proceed with the proposal as outlined in this report.

6.0 **LEGAL AND RESOURCE IMPLICATIONS**

- 6.1 The Head of Property Services confirms that in his opinion the terms offered for sites A and B to the Council, represent the best consideration that can be reasonably obtained under Section 123 of the Local Government Act 1972 (or under the Housing Act 1985). In accordance with Council's procedure an independent valuation has been sought. The instruction to the independent valuer was to assess the offer from Rushbond, in respect of their proposals for site A and to advise whether it represents market value. In addition, the valuer will also provide an Open Market Valuation of sites A and B, in order to assess the offer from NBTC/PDC. The valuation will be reported at the meeting.
- 6.2 The site is vested in Neighbourhoods and Housing Department. Consent for a disposal of both sites A and B is required under section 32 of the Housing Act 1985. A disposal of Housing land at Open Market Value has a deemed consent under E3 point 1 of the General Housing Consents Regulations 2005.
- 6.3 The Local Authorities (Capital Finance and Accounting (England) Regulations 2003 provide that 50% of the capital receipts from the sale of housing land should be paid to the Secretary of State, but that receipts can be treated as reduced by amounts determined by the Authority (including contributions to regeneration projects).. Legal and Democratic Services have been consulted and are of the opinion that the receipts for Sites A and B can be treated as being reduced to nil for the purposes of the regulations.
- 6.4 The European Commission's State Aid Rules provide that Local Authorities when disposing of land must ensure that State Aid has not taken place, as in this instance, where the disposal of land is on a "one to one" basis, and that there is no element of

competition in the disposal process. Failure to comply with the rules means that the aid is unlawful and could result in the decision to dispose being challenged or the benefit being recovered with interest from the recipient of the benefit. However, the Commission have also issued specific guidance on the sale of land and buildings by public authorities which indicates that the Commission will assume no State Aid is involved where the Council would, as in the case of the proposed leases to Rushbond and NBTC/PDC, be imposing the same conditions and restrictions on any tenant taking a lease of the premises. In addition, the head of Property Services is of the opinion that the terms offered represent the best consideration that can reasonably be obtained.

- 6.5 As referred to above, section 145 of the Local Government Act 1972 empowers the Council to do or arrange for the doing of or contribute towards the expenses of the doing of anything necessary or expedient for the provision of facilities for dancing or premises suitable for the holding of dances or for the development and improvement of the knowledge understanding and practice of the arts. This is the power that the Council will be utilizing to provide NBTC and PDC with grants to facilitate the construction of the dance facility.
- 6.6 As regards the provision of grants to NBTC and PDC the European Commission's State aid rules provide that aid to provide culture is not State aid where it does not affect trading conditions and competition within the European Community to an extent that is contrary to the common interest. It will need to be established that this is the case before the grants are made.
- 6.7 The Local government Act 2003 allows the Council to take out borrowing provided that it takes prudence and sustainability requirements into account when making decisions on borrowing. The additional borrowing proposed in this report can be accommodated within the Council's approved prudential borrowing limits, and can be funded in the way described in paragraph 3.5.

7.0 CONSULTATIONS

- 7.1 NBTC has consulted the Arts Council for England and the NBTC and PDC Boards have considered the scheme at their September 2006 Board meetings and both have resolved to progress with the scheme as proposed in this report.
- 7.2 Executive Members for Learning and Leisure, Development and Strategic Planning have been consulted and briefed regarding the scheme during 2006 and are supportive of the project.
- 7.3 Ward Members were consulted prior to this meeting and no objections were received.

8.0 CORPORATE PLAN

- 8.1 In terms of Leeds City Council's core values the project contributes towards the creation of equality of opportunity by providing both ballet and contemporary dance lessons for local people and also encouraging the involvement of communities in dance through outreach programmes.
- 8.2 Under Leeds Economic Development strategy the project contributes to the development of Leeds cultural attractions, industries and infrastructure, and it also raises Leeds profile nationally and internationally. In addition it contributes to the physical regeneration and promotion of the inner area, to build community and investor confidence.

- 8.3 The Department for Culture Media and Sport states the Government's priority themes for culture to be the promotion of access for the many, not the few, the pursuit of excellence and innovation, the nurturing of educational opportunity and the fostering of creative industries. These themes underpin the Leeds Cultural Strategy. This project will contribute towards these key themes in partnership with the Council both providing a showcase cultural development and meeting local cultural needs through outreach projects.
- 8.4 The Arts and Heritage Strategy identifies the Council's support for NBTC and PDT, and encourages participation in and enjoyment of dance reflecting the cultural diversity of the City, further enhancing Leeds' national and international reputation as a centre of dance excellence, ensuring the highest standard of dance training in classical and contemporary dance, promoting creative developments in dance and encouraging young artists and young people to be artists.
- 8.5 The Director of Learning and Leisure is supportive of the proposed scheme on the basis that ACE confirms that the proposed dance facilities justify the level of investment proposed. If the scheme changes as a result of the tendering process the Director of Learning and Leisure and ACE will both be consulted to ensure that the facilities continue to justify the level of investment by the Council.
- 8.6 NBTC and PDT are two of Leeds' cultural flagships. Both companies are exponents of both cultural excellence and diversity. They hold distinguished reputations for modern dance, helping to make Leeds a national and international dance centre. Their joint move to new city centre premises is an exciting development and undoubtedly will help to raise the profile of all the cultural Organizations in the city. It brings them into closer contact with Leeds' other excellent centrally based flagships on Quarry Hill; West Yorkshire Playhouse, Yorkshire Dance and the Leeds College of Music. The further clustering of artistic talent is likely to inspire new partnerships and creative innovation. The Cultural Strategy and its Arts and Heritage daughter strategy make explicit references to support for the new headquarters for both companies at Quarry Hill.

9.0 EQUALITY

- 9.1 A full access report has been produced by Access Consultants and the design for the dance headquarters has incorporated all of the consultants' recommendations. The building has been designed to create maximum access for disabled people whether they have sensory or ambulatory impairments.
- 9.2 NBTC and PDT describe themselves as committed to broadening the audience for dance, increasing the cultural diversity of their publics' and encouraging participation through inclusive practices.

10.0 CONCLUSION

- 10.1 The conclusion is that this proposal is the only viable option to pursue if Leeds City Council wish to promote a new dance facility and headquarter functions in the city centre.

11.0 RECOMMENDATIONS

- 11.1 The Executive Board is requested to:-

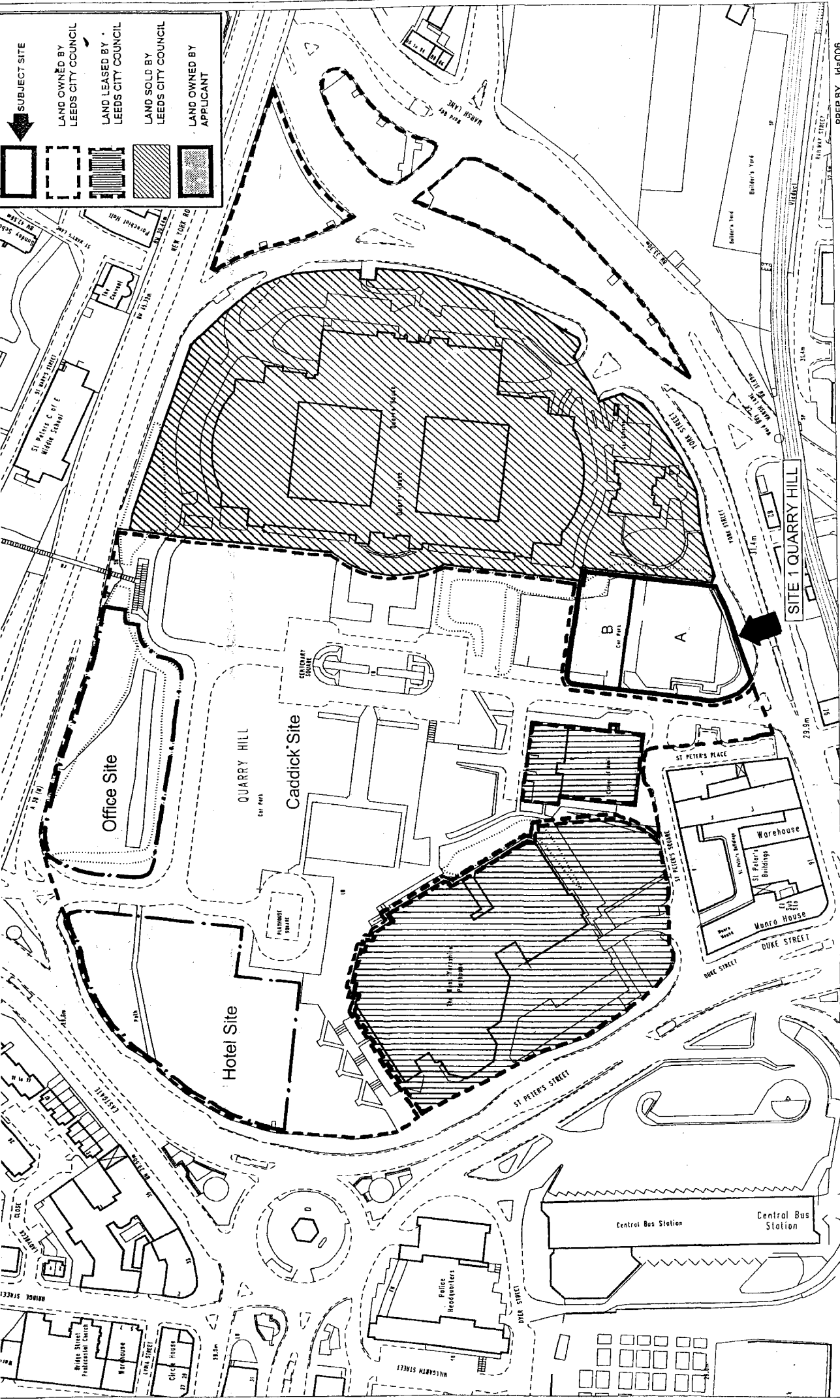
(i) Approve the disposal of part of site 1 (site A), Quarry Hill to Rushbond plc on the

terms reported to facilitate the construction of the new dance headquarters for NBTC/PDC, with any further decisions relating to the terms of the transaction being delegated to the Directors of Development and Learning and Leisure under the Council's scheme of delegation.

- (ii) Approve the disposal of part of site 1 (site B), Quarry Hill to NBTC/PDC on the terms reported in the confidential appendix, with any further decisions relating to the terms of the transaction being delegated to the Directors of Development and Learning and Leisure under the Council's scheme of delegation.
- (iii) Approve a fully funded injection into the Capital Programme of a sum equivalent to the premiums as reported in the confidential appendix, representing the net site values of sites A and B Quarry Hill towards the construction of the dance headquarters to grant fund NBTC and PDC for the construction of dance headquarters on Site B.
- (iv) Approve the incurring of expenditure up to the premiums representing the net site values of sites A and B Quarry Hill for the capital grants to NBTC/PDC to construct the dance headquarters.
- (v) The approval of a capital grants of £750,000 to Northern Ballet Theatre Company and £200,000 to the Phoenix Dance Company to fund the gap to construct the dance headquarters. The borrowing cost of these grants to be funded by reductions in the annual grants that the Council currently makes to the two organizations in accordance with the arrangements set out in the report.
- (v) Approve an injection into the Capital Programme of £500,000, this being the Yorkshire Forward grant monies the Council transferred to the City Museum project in 2005/06.

SUBJECT SITE (indicated by a thick black arrow)

- LAND OWNED BY LEEDS CITY COUNCIL (indicated by a dashed line)
- LAND LEASED BY LEEDS CITY COUNCIL (indicated by vertical hatching)
- LAND SOLD BY LEEDS CITY COUNCIL (indicated by diagonal hatching)
- LAND OWNED BY APPLICANT (indicated by a solid black fill)



PREP BY: Idr006
DATE: 19/10/2000

OS No 3033NE
Scale Not to Scale

NEG No 7365/

QUARRY HILL DISPOSAL



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