



Report of: Director of City Development

To: Executive Board

Date: 22 June 2010

Subject: Granting of a new 20 year lease at a peppercorn rent in respect of the new Middleton Enterprise Centre

Electoral Wards Affected:
Middleton Park

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

(Details contained in the report)

EXECUTIVE SUMMARY

1. In January Executive Board approved a proposal for the development of a new enterprise centre in Middleton and expenditure of £1.616 million on the project. The centre will be some 727 square metres and will provide a single and central access point to enterprise support at a very localised level predominantly for residents of Middleton and Belle Isle. The building will be owned by Leeds City Council and managed on a day to day basis by Health For All (HFA).

The site of the new centre is currently occupied by Health for All who had a lease of the old building at a peppercorn rent.

Executive Board is asked to approve a new 20 year lease at a peppercorn rent to HFA in respect of the new Middleton Enterprise Centre.

1.0 Purpose Of This Report

- 1.1 This report seeks Executive Board approval to grant a new 20 year lease to Health for All (HFA), at a peppercorn rent in respect of the new Middleton Enterprise Centre.

2.0 Background Information

- 2.1 Development of the Middleton Enterprise Centre is being part funded by Central Government's Local Enterprise Growth Initiative (LEGI), which was announced in 2005 to try and tackle worklessness in some of the most deprived areas of England through the encouragement of enterprise. In December 2006 Leeds was awarded £15.6 million for the three year period 1st April 2007 to 31st March 2010. This was reported to Executive Board in March 2007. In late 2007 the programme was extended by a further year and an additional £5 million in funding also awarded. The programme's primary focus is on 31 Super Output Areas (SOAs)¹, which were amongst the 3% most deprived in England based on the Government's 2004 Index of Multiple Deprivation. The cornerstone of the programme is the establishment of up to five permanent catalyst/enterprise centres strategically situated in some of the city's most deprived neighbourhoods to provide a central and single access point to enterprise support at a very localised level. As well as housing a catalyst centre, which combines workspace with networking, local events/seminars and on site business support, the centres also offer small office accommodation, meeting and conference facilities, with the primary target audience being pre and new start businesses. To date permanent centres have been established in Beeston, Harehills and Seacroft, with Middleton planned as the fourth.
- 2.2 The majority of the remainder of the funding will be provided by the European Commission's European Regional Development Fund (ERDF) programme under the Priority 3 Sustainable Communities strand, which targets resources at the 10% most deprived SOAs in Yorkshire and Humber, which includes parts of Belle Isle and Middleton.
- 2.3 In January 2010 Executive Board agreed to endorse the development of a new enterprise centre in Middleton and to endorse expenditure of £1,616,450 on the project. Although the report submitted at that time did explain that the proposal included leasing the new centre to Health for All on a peppercorn rent, approval for the lease at 'less than best consideration' was not sought at that time.
- 2.4 Health for All (formerly known as South Leeds Health for All) was established in 1991 with one member of staff and a grant of £30,000 to work with disadvantaged communities in South Leeds. Since that time the organisation has grown rapidly and now employs 143 staff and has a turnover of £2.2m. Sixty percent of turnover is derived from trading activities, the remainder from grant supported activity.
- 2.5 The site on which the new Middleton Enterprise Centre will be built is owned by Leeds City Council and the existing building leased on a full repair and insuring basis to HFA at a peppercorn rent. The lease expired in 2006 and HFA are currently occupying the building on a holding over arrangement. The existing building comprises an old community hall, as well as offices which are used as headquarters for HFA. The proposal is for HFA to surrender the lease and for the Council to demolish the existing building and replace it with a new two-storey enterprise centre.

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

2.6 HFA provides a number of health and wellbeing related activities, including projects that:

- Encourage healthy lifestyle, particularly amongst BME communities and young and old people;
- Address health inequalities by focussing on communities in which health outcomes are relatively poor;
- Use community development approaches to identify health needs and assist with advice, information and set up new initiatives.

2.7 As well as health focussed activity, HFA provides a number of community and family related activities, including projects that:

- Support children and young people, including a mobile crèche, schools projects and community based projects;
- Support children's centres and schools by providing intensive family support;
- Supports parents, including projects that engage with fathers and father figures;
- Link communities to learning, including English conversation clubs for refugees and asylum seekers as well as groups for gypsies and travellers, Asian women carers and Sikh and Hindu men and women;
- Offer help with issues including child protection, parenting, disability and access to services.

2.8 In 2009 HFA established Health for All Enterprises, an independent Community Interest Company that provides support services to deprived communities, such as:

- Eduplay mobile centre, which provides a mobile crèche in a variety of community based venues enabling local people to access learning, health and social activities;
- Eduplay Funky Fun Bus is a double decker bus that was purchased and converted by HFA and is hired out for children's parties and events;
- Transport Link community transport uses a fleet of minibuses to provide safe transport services to school, youth and community groups, voluntary and statutory organisations at competitive rates;
- Business services provides a full range of administration and financial support tailored to the specific needs of customers, including CRB checking, payroll, human resources and advice and bookkeeping;
- Enterprise awareness is funded by the LEGI programme which aims to promote and raise awareness of enterprise/self employment as an option using community outreach and events. This project is also building impetus and demand for the enterprise centre.

These projects were developed out of recognition that HFA had developed into a successful enterprise and due to the changing nature of funding in the third sector the need to develop projects that were sustainable.

3.0 Middleton Enterprise Centre, Main Issues

3.1 The concept of a new enterprise centre for Middleton has been developed in conjunction with HFA who were identified as a partner as part of an open commissioning process undertaken by the LEGI Programme Management Team in 2007. The new enterprise centre will be located on the site of the current Tenant's Hall, Acre Close in Middleton and will be some 727 square metres. The centre will

provide hot desk space, small office accommodation, conference and meeting facilities, as well as on site business support.

- 3.2 The project is being taken forward by the Council's Strategic Design Alliance and is currently at Design Freeze stage. Tenders are due to go out in July with site works anticipated to start in November. Build time is projected at 34 - 40 weeks (depending on weather), with the building formally open by September 2011. Whilst construction is taking place HFA have made a request to the Council to occupy Middleton Advice Centre, discussions regarding which are currently taking place. Following construction eight staff employed by HFA will move in to the new building, with the remainder remaining in Middleton Advice Centre.
- 3.3 The new building will be owned by Leeds City Council and leased to HFA at a peppercorn rent. The lease will be on a full repairing and insuring basis. HFA will manage the building on a day to day basis under Service Level Agreement from the Council. Under the terms and conditions of the Agreement HFA and not the Council will be responsible for any operational losses incurred. To mitigate this a detailed business plan has been developed by HFA in conjunction with the Council to ensure self-sustainability post March 2011. The business plan is based on certain assumptions, in particular occupancy levels and the hiring out of meeting and conference facilities. It is the opinion of the LEGI Programme Management Team and also the Community Assets Officer that the business plan is realistic. For the first full year of operation a net loss of £34.5k is projected, reducing to £13k in year two and moving in to profit in year three.
- 3.4 HFA has grown rapidly over the past 20 years and whilst to some extent they are reliant on grant income, which with it brings uncertainties, the largest proportion of their income is derived from trading services. Whilst there can never be any guarantees, both the LEGI Programme Management Team and the Community Assets Officer are confident that the organisation is viable in the long term. HFA also has considerable property management experience as they currently employ a Facilities Manager to manage a number of properties across south Leeds.
- 3.5 The project has been scored using the framework developed as part of the draft Community Assets Strategy and achieved an overall score of High.

4.0 Implications For Council Policy And Governance

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

5.0 Legal And Resource Implications

- 5.1 Under the terms and conditions of the ERDF offer letter the proposed building must be used as an enterprise centre for a period of 20 years. Should the Council change its use or ownership within that period then it may be liable to repay some or all the ERDF grant provided.
- 5.2 There are no revenue implications for the Council as a full repairing and insuring lease will be issued to HFA who will also be responsible for absorbing any operational losses incurred. To mitigate projected losses, as outlined in 3.4, the Leeds LEGI Programme is proposing to offer a revenue subsidy of up to £40k per year for financial years 2010/11 and 2011/12 towards operational costs.

5.3 Well Being powers are afforded to the Council by section 2 of the Local Government Act 2000, which enables the Council to dispose of land and building for "less than best consideration" where:

- a) The undervalue is £2,000,000 or less and that the Council is satisfied that;
- b) The land is held under powers which permit it to be disposed of under the Local Government Act 1972;
- c) The purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of the following objects in respect of the whole or any part of the Council's area or of any person resident or present in the area:
 - i) The promotion or improvement of the economic well-being;
 - ii) The promotion or improvement of the social well-being;
 - iii) The promotion or improvement of environmental well-being as set out in the Council's community strategy, which is the Leeds Strategic Plan.

5.4 An independent valuation of the site was undertaken in April 2009, and concluded that if the site were available for disposal the market value would be £150,000. However it should be noted that, in the absence of this scheme, support would be offered for Health For All to be permitted to remain in occupation of the existing building on a full repairing lease at nil rent. It should also be noted that through the development of this externally funded building, the Council will hold an improved asset which it would not otherwise have had.

6.0 Conclusions

6.1 In the wider context the Leeds LEGI programme provides the City Council and its partners with a significant opportunity to create new businesses, local wealth and jobs within some of the City's most deprived communities.

6.2 This particular project, through the availability of external funding, provides a one off opportunity to create a physical enterprise presence in the heart of one of the City's most deprived communities, which will act as a local enterprise hub to make a significant impact in addressing the high levels of unemployment and low levels of self-employment that currently exist in the area.

6.3 HFA is a successful and well regarded organisation. For nineteen years it has undertaken a wide variety of projects successfully and have pro-actively sought ways to move away from grant dependency and generate their own income. Although the Middleton Enterprise Centre represents a larger project than undertaken by HFA previously, the business plan for the project is considered sound and officers are confident it can undertake the project successfully.

7.0 Recommendations

7.1 That Executive Board:

- Approve the proposal to grant a 20 year lease to Health for All for the new Middleton Enterprise Centre at a peppercorn rent.

Background Papers

Executive Board report – January 2010