

# Agreement for Less than Best lease for the development of Old Cockburn Sports Hall

Date: 12 February 2025

Report of: Director of City Development & Director of Communities, Housing & Environment

Report to: Executive Board

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

## Brief summary

Hamara secured Old Cockburn Sports Hall from the Council in 2016 as a community asset transfer on a 25-year lease. The building serves as a community facility, providing a meeting and activity space for local groups and physical activity for young people. The Council was approached by Hamara in June 2020 with a proposal to redevelop the building and wider site. The proposals that have been brought forward involve the demolition of the existing building and the construction of a brand new two-storey building. These proposals have implications for the existing lease agreement and require a surrender of the existing lease and the granting of a new property agreement to facilitate the construction of a new building. This report sets out Hamara's proposal for a new and improved community facility and the Council's legal framework, including a new lease agreement, to support the delivery of the project.

## Recommendations

Executive Board is recommended:

- a) To note the contents of the report, exempt appendix 1, appendix 2 and proposals being brought forward by Hamara for the site of the Old Cockburn Sports Hall.
- b) To agree to an Agreement for Lease on a less than best basis on the provisionally agreed terms as set out in Appendix 2 to be issued to Hamara which will set out the conditions on which the Council will agree to the demolition of Old Cockburn Sports Hall and the construction of a new community facility in its place.
- c) To note the intention for an Escrow account to be used as a means of holding funds committed by Hamara to underwrite the project until project completion, or confirmation of additional grant funding being secured to support the project.
- d) To delegate to the Director of City Development the approval of the final terms for the agreement to lease.
- e) To agree the termination of the existing lease to take place simultaneously with entering into the Agreement for Lease.

- f) To delegate to the Director of City Development the approval of the final terms for the termination of the existing lease.

### **What is this report about?**

- 1 This report sets out a proposal from Hamara to re-develop a site known as Old Cockburn Sports Hall, Primrose Lane, Leeds, LS11. The site, including building and grounds, is leased to Hamara on a full repairing and insuring basis following a decision by Executive Board in February 2016 to approve a community asset transfer. The proposed redevelopment scheme for the site involves the demolition of the existing sports hall and the construction of a new two-story community building.
- 2 Old Cockburn Sports Hall is a purpose-built sports facility constructed in 1978. Approval was granted in February 2016 for the building to be leased to Hamara for 25 years as a community asset transfer on a less than best basis. Hamara have since managed the building as a community facility, providing physical activity space for local groups and serving as vital hub for coordinating resources to support the community in South Leeds during the Covid-19 pandemic. Hamara's main base is the Hamara Healthy Living Centre in Beeston. This would provide for much improved and expanded space to the current Old Cockburn Sport Hall which provides Hamara to offer opportunities to provide a wider range of services and delivery models.
- 3 Hamara is a registered charity and community business limited by guarantee with a mission statement, of *Bringing Communities Together*. Its vision is for a cohesive and cooperative community that collaboratively works with each other and wider external stakeholders to empower the community to address inequalities and poverty and facilitate access to opportunities and services.
- 4 Hamara operate in South Leeds, predominantly across the wards of Beeston & Holbeck and Hunslet & Riverside. They provide information, advice and guidance, day services, training and education, youth activities, sport, health and wellbeing support for people of all ages, communities and backgrounds. They deliver over 20 community projects covering a broad range of services including to people with learning disabilities, young people at risk of exploitation and abuse, ex-offenders and those at risk of offending, and older people who have experienced dementia and other mental and physical health conditions.
- 5 Hamara's anchor project, Halo, delivers community-based day opportunity service for adults with learning disabilities under a commissioned contract with the Council. The service delivers a variety of community activities, providing opportunities to benefit the social, physical and mental wellbeing of members, whilst also promoting independent living and limiting social isolation.
- 6 Hamara currently engage with over 2000 people from the local area every year, in most cases, individuals experiencing higher levels of poverty, which is more prevalent in the inner-city communities where Hamara deliver services.
- 7 As a result of restrictions imposed during the Covid pandemic, all group activity was forced to cease in the old Cockburn Sports Hall building resulting in all income streams being cut off. It was re-purposed as community help hub, playing a vital role in delivering a variety of programmes supporting the local community, including a Citywide Cultural Food Hub

distributing essential supplies such as meals and provisions to vulnerable households and a Violence Reduction Unit to safeguard young people from gangs and anti-social behaviour.

- 8 Following the end of the pandemic and the stepping back of the various related community response schemes, activity at the sport hall diminished and regular activities have not returned to pre-pandemic levels. This factor, combined with the declining condition of the building, high annual planned and responsive maintenance costs and a lack of income to help pay for these, led to the building becoming unused and unsustainable.
- 9 The backdrop to the redevelopment proposal is the demographics of the population in South Leeds which include an ageing population, a growing number of people from minoritised communities and a growth of children and young people, and outcomes associated with people living in inner city areas of Leeds, who statistically experience higher levels of deprivation. The levels of inequality in inner city areas present themselves in a range of ways and are particularly prominent in people's health and wellbeing. These include lower life expectancy, poorer physical and mental health outcomes and lower physical activity levels. Additionally, people living in inner city areas are more likely to have lower educational attainment and poorer access to employment. The ward profile for Beeston & Holbeck (Leeds Observatory 2019) highlighted the following statistics:
  - 34% of the population are in the most deprived fifth of Leeds;
  - 40% of year 6 children are classed as overweight, with 24% being very overweight;
  - 4282 people are recorded as having coronary heart disease;
  - 7567 people are recorded as having diabetes;
  - 27,072 adults are recorded as being obese;
  - 22,799 adults have a diagnosed mental health problem;
- 10 The Marmot Review found that the Covid pandemic had a disproportionate impact on deprived communities as a result of poor underlying health conditions, over-crowded living conditions and a concentration of the local population working in high-risk employment sectors. The impact of Covid-19 on inner city communities further highlighted the need for a stronger focus on improved health and wellbeing outcomes for people living in them and the need for better local facilities and support packages to address local needs.
- 11 The proposals brought forward by Hamara involve the demolition of the existing sports hall building and the construction of a new two-storey building in its place. This presents a set of unique circumstances for the Council to consider and address, including a series of risks that need to be mitigated against. Hamara's financially stable position as being a well-established and recognised organisation and service delivery partner in the city provides some initial comfort regarding the proposal, however, there are a wide range of considerations which require careful consideration.
- 12 The scheme proposed by Hamara is to be funded through a combination of external grants, loans and company reserves. During the development of the proposal the costs for the scheme have inflated significantly in line with national build cost inflationary trends, which in turn has forced Hamara to seek additional funding to support the scheme. In addition, the length of time taken to develop the scheme has resulted in time-limited funding offers expiring, as well as funding offers conditioned on having a longer lease in place, being withdrawn. The result of this

situation has been a perpetual funding gap for the project which has caused delays to progressing towards the construction phase.

- 13 With the current lease being associated with the existing building and with less than 20 years term remaining, several external funders who are considering committing larger capital sums towards the project require assurance that Hamara have a minimum of a 50-year lease on the site, with Hamara requesting a 99-year lease to safeguard the asset in the community for the long-term. An extension of the current lease would not be possible as the current agreement does not include provision for the demolition of the building. The Council is therefore being asked to agree to the termination of the current lease, to grant permission for the demolition of the current building and agree to the principle of terms for a new less than best ground lease to facilitate the construction of the new facility on the site.
- 14 While this proposal requires a new agreement to facilitate the construction of a new facility, the principles of the decision in 2016 for the community asset transfer of the site will continue to underpin this new proposal. The reporting of this scheme is therefore considered an extension of the previously agreed community asset transfer as opposed the consideration of a new community asset transfer. Discussions have been ongoing with Hamara on the terms of the necessary agreements and the provisionally agreed terms are set out at Appendix 2. Subject to approval of the recommendations in this report, it is proposed that these terms will be progressed towards finalisation with final approval being delegated to the Director for City Development.
- 15 The purpose of reporting of this project to Executive Board at this stage is two-fold. Firstly, by granting approval for the intention to enter into a new long-term ground lease with Hamara, it provides the necessary assurance for external grant funders to commit funding to the scheme while also assisting Hamara's efforts to secure further grant funding to reduce the funding gap. Secondly, the reporting of the scheme provides the opportunity to raise awareness of the various risks associated with the project and how these are being mitigated. These are set out further on in the report.
- 16 The recommendations in this report establish the principles for an agreement for Hamara to undertake the redevelopment of the site. A new, long-term lease is the key element that supports Hamara's proposal as it will allow them to demonstrate their long-term security of the site which is required to secure the external grant funding to deliver the scheme.

#### **What impact will this proposal have?**

- 17 Hamara originally approached Leeds City Council in June 2020 with an outline proposal to redevelop the site. A full-scale redevelopment was deemed to be only viable solution by Hamara to ensure the long-term viability of the centre. The layout of the current building, which consists of a large sports hall with changing rooms, a kitchen and several small meeting spaces is considered too restrictive to deliver a diverse and sustainable programme of activities. Additionally, the building is dated with the backlog maintenance costs and associated running costs seen as a further obstacle to delivering a cost-effective project.
- 18 The proposal has since been developed into a business plan which sets out the case for the redevelopment of the site into a new community wellbeing and business hub. The proposal seeks to develop The Cockburn Centre into a thriving sports and community hub, led and run by local residents and people with learning disabilities. It will deliver multi-faceted and broad ranging sport activities, providing new volunteering and employment opportunities for excluded

communities and providing new rental space for grassroots voluntary groups and social enterprises. The proposed redevelopment of the Old Cockburn Sports Hall will provide the opportunity to enhance community engagement and deliver more services to more people.

- 19 Part of the enhanced offer to provide opportunities for physical activity for local people is the development of a new outdoor multi-use games area replacing the existing facility which has fallen into disrepair, to the point where it has become unsafe and unusable, especially during the evening due to the absence of lighting. Hamara have partnered with the Football Foundation to identify funding for the refurbished games area and to establish delivery programmes for accessible sporting activity within the local community, including for challenging to engage demographics such as young women and girls. The outdoor recreation space will include floodlights enabling it to be utilised for longer on evenings and during the autumn and winter months. The outdoor games area will compliment indoor activity space, allowing for a broad range of physical activities to take place, serving the diverse needs of local people.
- 20 The new Cockburn Centre will become a new base for Hamara's day opportunities provision for adults with learning disabilities, a range of indoor and outdoor recreational activities and services covering employability, enterprise, mental health, advocacy, training and digital inclusion. The new building will provide new facilities including office space, a sensory room, activity rooms and community café. This will be complimentary to the Hamara Living Centre which is Hamara's main base.
- 21 Hamara has set out several overarching objectives for the centre to deliver within the first 12 months of operation. These include:
- Launch a new sports programme including things such as 5-a-side football, tennis, badminton, volleyball, tennis, cricket, dance, Zumba, roller-skating.
  - Create 7 supported employment opportunities for adults with learning disabilities.
  - Increase the active participation in Centre activities by on average 90 people per day during the week and around 50 per day at weekends.
  - Encourage higher levels of active involvement by local residents and key stakeholders in the organisation of activities, services and events through providing 12 volunteer opportunities every year.
  - Continue to develop and support local community organisations, residents, businesses and sports groups by providing any available space for hire in particular evenings and weekends (one off events, regular hot desking, conference and business space).
  - Promote further community cohesion in the local area by running cross community activities and working in partnership to deliver joint services with other locations.
  - Deliver financial self-sufficiency and the generation of surplus at the Cockburn Centre to support the on-going maintenance and development of the overall site and facilities.
- 22 Planning Consent has been granted for the development (20/06679/FU) with further consent granted (23/02995/FU) for the replacement of the multi-use games area with a new multi-use games facility including new fencing and floodlights. The permitted use of the building is not anticipated to differ from the approved scheme post-development.

### **How does this proposal impact the three pillars of the Best City Ambition?**

Health and Wellbeing

Inclusive Growth

Zero Carbon

23 Hamara's delivery model is primarily based on delivering health and wellbeing outcomes and the primary purpose of the new centre is to provide an activity programme delivering physical and mental health outcomes and increasing active participation for people in the local community. The building will also provide meeting and activity spaces for local community groups that also cater for local residents.

A secondary ambition for the new building is for it to support local social enterprises and businesses, through the offer to hire space for meetings, training and collaboration activities and events.

### **What consultation and engagement has taken place?**

Wards affected: Hunslet & Riverside and Beeston & Holbeck

Have ward members been consulted? **Yes**

24 Ward Members for Hunslet & Riverside have been closely involved in discussions about the proposal as it has progressed. They are supportive of the proposal. Ward Members for Beeston & Holbeck have also been made aware of the proposal due to the proximity of the proposal to the ward boundary, and the likely benefit that the new facility will offer to residents in this ward.

25 The Executive Member for Resources and Executive Member for Communities have also been briefed on the proposal and are supportive subject to the conditions set out in this report being met.

26 As part of Hamara's business case development for the new centre it has undertaken consultation with service users, local residents and other stakeholders. Hamara has consulted with 30 adults with learning disabilities that currently use Hamara's HALO service as part of their 1-1 individual support plans. Each person provided feedback about activities and things they would most like to do. In addition, Hamara also ran structured interviews with 21 service users.

27 Between 2018 and present, Hamara has also undertaken extensive consultation with around 250 people through surveys, group meetings and discussions. Quantitative analysis of the survey results (reinforced through the group discussions) found a demand to address the following barriers:

- Lack of access to appropriate services (40%).
- Lack of information about rights, services and entitlements (60%).
- Low levels of healthy living – just 8% reported exercising five times a week and eating healthily.
- Low levels of mental health and wellbeing (60%).
- Lack of access to health, wellbeing and exercise programmes in the local area (75%).
- Low levels of skills and qualifications (75%).
- Low levels of English language skills (75%).

Hamara has met and consulted key stakeholders over the last year through meetings and events. Key organisations Hamara has connected with include Leeds United Foundation, Hunslet club, Leeds City College - Joseph Priestley Campus, Leeds City Council, White Rose Shopping Centre, local businesses and community groups.

## What are the resource implications?

- 28 Hamara currently occupy the Old Cockburn Sports Hall on a less than best lease arrangement entered into under the Council's Community Asset Policy of the time. At the time of the transfer a revenue support grant was also provided by the Council to Hamara of £55,000 issued in annual instalments until 2018/19. This was used to support the running costs of the building. This funding was at the time provided through savings made because of the Council no longer running the building.
- 29 The recommendations for the Council to terminate the current lease and agree final terms for the Agreement for Lease will have resource implications. It is proposed that both sides will cover their own legal costs, meaning that there will be a resource implication for Legal Services to draft and complete the terms of the agreements specified in the recommendations.
- 30 Hamara's funding strategy for the project includes two strands of funding from Leeds City Council. These are as follows: £85,000 Ward Based Initiative (WBI) and £15,000 Community Infrastructure Levy (CIL). A total of £100,000. These amounts have been verified and confirmed as being allocated for this scheme.
- 31 In order to mitigate the risk that the scheme is fully funded and to ensure that this position is maintained throughout the delivery of the scheme, evidence has been sought from Hamara regarding their funding position. This includes their funding strategy, which is attached as a confidential appendix (Appendix 1), evidence of the transition of all secured funds into a single account that will be used to cash-flow the project and the placement of £1.04m from Hamara's unrestricted reserves into an Escrow account. The precise value may vary at the time of establishing the account depending on any additional grant funding which has been secured by Hamara at this date. This latter action, which is entrenched in a recommendation in this report, is a legally-binding means of securing Hamara's commitment to underwrite broadly one third of the total funding for the scheme with the expectation that this amount will ultimately be generated through further successful grant funding applications. Upon project completion, or upon confirmation backed up by supporting evidence, that additional grant funding has been secured, funds from this account will be released back to Hamara.
- 32 Old Cockburn Sports Hall is a Leeds City Council asset. It is currently leased to Hamara at peppercorn rent with less than 20 years remaining on the lease. Hamara's proposal involves the demolition of the sports hall and development of a new facility at no cost to the Council. The provisionally agreed terms (Appendix 2) issued for the new ground lease that would support the construction of the new building, propose less than best terms with a peppercorn rent. The Council has valued the ground lease at £17,950 per annum. The rental valuation for the current property is £23,000 per annum which is being foregone due to the peppercorn terms. The terms of the lease are currently being worked through drawing on the risk mitigation approaches set out in this report.
- 33 The local authority considers that 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 objectives in respect of the whole or any part of its area:
- i) the promotion or improvement of economic well-being;
  - ii) the promotion or improvement of social well-being;

iii) the promotion or improvement of environmental well-being;

The proposal from Hamara as set out earlier in the report is likely to impact on all three of these objectives.

34 Section 12 of the Subsidy Control Act 2022 requires public authorities to consider the subsidy control principles and be of the view that their subsidy or scheme is consistent with those principles before giving an individual subsidy or making a subsidy scheme. This proposal is subject to a Subsidy Control Assessment to ensure that the scheme is consistent with these principles.

**What are the key risks and how are they being managed?**

35 The delivery of the project is complex as a result of Hamara’s funding model and the risk elements of project delivery. The Council therefore need to be satisfied that there are appropriate safeguards in place to project its interest in the site prior to any work starting and throughout the construction process.

36 The risks associated with this project are significant and council officers have worked and will continue to work closely with Hamara and their appointed construction contractors to mitigate these risks. Hamara’s status as a stable community organisation and service delivery partner were key factors in them being sanctioned to take on Old Cockburn Sports Hall as community asset transfer in 2016. Their key role in city’s resilience response to the Covid-19 pandemic further enhanced their status as an anchor organisation in the city. These are all contributing factors to the Council being prepared to work with Hamara to manage this unique set of risks that accompany this project.

37 The following table sets out the risk, mitigation approach and residual risks associated with the proposals:

Risk	Proposed Mitigation	Residual risk to be accepted and managed
<p><b><i>Project Cost and Funding -</i></b>                      The project cost was originally estimated at £1.6m. However, this figure has been revised over time, primarily as a result of increased construction costs and other inflationary pressures. The cost currently stands at £3.02m. It is proposed that the project will be funded through a combination of external charitable grants, loans and Hamara’s cash reserves. Currently, the project has a funding gap of £1.04m.</p>	<p>The Council has received written confirmation from Hamara that the Hamara Board has approved to underwrite the project funding gap of £1.04m from its unrestricted reserves. The Council has undertaken due diligence on Hamara’s accounts (Year ending 31<sup>st</sup> March 2024) and is comfortable that Hamara are a financially stable organisation. Hamara’s unrestricted cash reserves currently stand at £750,000. The recommendations in this report will facilitate the agreement for a new lease for</p>	<p>There remains a residual risk that the scheme cannot be fully completed should Hamara’s financial standing change, or if they are unable to deliver a fully funding scheme. If the project could not be completed, the Council would appraise options to address the situation at the time, which could include supporting Hamara to seek additional funding; re-entering the site; seeking alternative delivery approaches and ultimately disposal of the site if no viable alternative route can be identified.</p>



	<p>the site which will allow Hamara to undertake further fundraising to support the scheme and arrive at a fully costed position.</p>	
<p><b><u>External grant funding</u></b> - The unsecured nature of elements of external grant funding for this project put the project on an unsecure financial footing. There is the potential for grant funders to withdraw funding offers, or to re-evaluate uncommitted amounts. This scenario has played out already throughout the fundraising period and there is the potential for it to re-occur, especially should the delivery of the project be delayed. There presents a risk of the project not progressing and the existing building being demolished, but the project being unable to progress with the delivery of the new building. This would lead to the loss of a community asset.</p>	<p>The Council have requested regular funding position updates from Hamara throughout the development of this project and a copy of the latest position is contained in Appendix 1. In addition, copies of funding agreements for all secured funding have been requested and provided. For unsecured funding where acceptance was subject to certain conditions (e.g. a new lease being in place) copies of relevant correspondence between Hamara and the funder has been requested and provided.</p> <p>The recommendations in this report will provide Hamara with a clearer delivery timetable and the means to seek and secure further funding for the scheme. Hamara are confident that they can get to a fully funded position based on grant funding once the Council has granted the necessary permission and that their own contribution to the scheme from their cash reserves will end up being significantly reduced. The commitment to underwrite £1.04m can therefore be considered to be additional contingency should there be further turbulence with the grant funding position.</p>	<p>There remains a residual risk that the scheme cannot be fully completed. In this instance, the Council would appraise options to address the situation at the time, which could include supporting Hamara to seek additional funding; re-entering the site; seeking alternative delivery approaches and ultimately disposal of the site if no viable alternative route can be identified.</p> <p>There remains a risk that Hamara satisfies the preliminary conditions to activate the approval to demolish the existing building but that the project encounters financial difficulties further down the line which result in the replacement building not being realised and the loss of a community asset.</p>
<p><b><u>Scheme Cost</u></b> - There is a risk that inflationary pressures or on-site risks materialise increasing scheme costs. As above this</p>	<p>In order to grant the necessary permissions to Hamara to begin the redevelopment of the site they are required to present</p>	<p>There remains a residual risk that the scheme cannot be fully completed due to changes in the funding position, or through increased</p>

<p>presents a risk of the project progressing and the existing building being demolished, but the project being unable to progress with the delivery of the new building, or completion of the new building not being achieved. This would lead to the loss of a community asset as well as the potential for the site to be handed back to the Council with a part completed development.</p>	<p>the Council with evidence that the proposal is fully costed and funded. The Council is in possession of the full tender pack and has requested to be updated of any revisions. In addition a contingency is included within the budget estimates. As set out above Hamara continue to fundraise and have committed funds to underwrite the existing funding gap which can then support any additional costs incurred. It a recommendation in this report that £1.04m that Hamara have committed to underwriting a delivered scheme is placed into an Escrow account prior to final terms for a lease being agreed. This will ensure that the current delivery costs of the scheme remain fully funded throughout the construction phase.</p>	<p>costs to deliver the scheme. Currently, the Council would not be in a position to provide funding to support the scheme. If the project could not be completed, the Council would appraise options to address the situation at the time, which could include supporting Hamara to seek additional funding; re-entering the site; seeking alternative delivery approaches and ultimately disposal of the site if no viable alternative route can be identified.</p>
<p><b><u>Charges placed on title by external funders</u></b> - The Council need to be mindful of the potential for external funders to place charges on the land/building and the implications for the Council should Hamara get into financial difficulty, with the potential for the asset to be called in and disposed by the funder.</p>	<p>The lease will include provisions for the Council to be required to approve any proposed charges. Legal Services will review all funding agreements relating to the proposal to ensure that the Council are aware and comfortable with what is contained within them.</p>	<p>There remains a risk that any new funding applications may include charges on the land/building. Funding agreements for any new grant applications will be reviewed and considered upon submission.</p>
<p><b><u>Financial resilience of Hamara</u></b> - The costs associated with delivering this project and the financial business case present a significant pressure on Hamara given their status as a voluntary sector organisation. The management of a new, large community building will place an additional pressure on the organisation.</p>	<p>Hamara’s financial business case sets out how they propose to manage facility and the income projections that are expected based on the work they have done to explore potential tenants and hirers. This is considered reasonable.  The new building will have reduced liabilities in contrast to the existing dated building. There is a speculative</p>	<p>There remains a risk that the costs of the project combined with a challenging financial environment for the community and voluntary sector place a pressure on Hamara’s sustainability as an organisation and their ability to make this asset sustainable.</p>

	<p>element to any financial business case and therefore a risk that things may not turn out as planned. However, partly as a result of the market research Hamara have undertaken and also the Council's knowledge of neighbourhoods in South Leeds there is confidence that there is a strong interest in and demand for a building of this type.</p>	
<p><b><u>Project delivery programme/ timelines -</u></b> Delays to the project which could arise, for example, from either the subsequent approvals framework or contractual issues could result in budgetary pressures to deliver the scheme. An example of this this could be an increased tender cost to factor in increases in materials or staffing costs.</p>	<p>The Council have worked with Hamara to agree a position where it can be demonstrated that the project is fully costed. This mitigates a significant risk associated with the project and has progressed it to a position of comfort allowing the Council's internal governance process to take place which will, in turn, facilitate the transition of the project to its Stage 5 delivery phase.</p> <p>Increased costs associated with project slippage could be mitigated by the measures set out earlier in this table.</p>	<p>There remains a risk for project slippage as a consequence of there being outstanding approvals to satisfy including, for example, the process of obtaining a Section 80 Notice for the demolition of the existing building.</p> <p>Hamara's most recent project masterplan document noted an anticipated on-site start date of January 2025 which will need to be revised and which will elongate project delivery.</p>
<p><b><u>Subsidy Control Assessment -</u></b> This proposal is subject to a Subsidy Control Assessment to ensure that the scheme is consistent with the principles set out in Section 12 of the Subsidy Control Act 2022.</p>	<p>In the likely event that the Council will be granting a subsidy by entering into a lease with Hamara on the outline terms set out in Appendix 2, this will need to be clearly framed around the policy outcomes that the project will deliver.</p>	<p>Should the subsidy control assessment demonstrate that the proposal is not compliant with the subsidy control principles, then the proposals will need to be reconsidered.</p>

### What are the legal implications?

- 38 As it is proposed that the new lease will be at a peppercorn rent it will be necessary for a State Subsidy Assessment to be undertaken to ensure the rent foregone does not constitute Unlawful State Subsidy.

Details of the proposed subsidy must be uploaded to the Government Subsidy database within three months of confirmation of the decision to give the subsidy in accordance with the Subsidy Control (Subsidy Database Information Requirements) Regulations 2022'

- 39 Local authorities are given powers under the Local Government Act 1972 to dispose of land in any manner they wish, including sale of their freehold interest, granting a lease or assigning any unexpired term on a lease, and the granting of easements. The only constraint is that a disposal must be for the best consideration reasonably obtainable (except in the case of short tenancies), unless the Secretary of State consents to the disposal (section 123, LGA 1972).
- 40 It is government policy that authorities should dispose of surplus land wherever possible. Generally it is expected that land should be sold for the best consideration that can reasonably be obtained, but it is recognised that there may be circumstances where an authority considers it appropriate to dispose of land at an undervalue.
- 41 The General Disposal Consent (England) 2003 allows local authorities to dispose of any interest in land at less than the best consideration that can reasonably be obtained subject to the following conditions:
- a. the authority must be of the opinion that the disposal is likely to contribute to the promotion or improvement of the economic, social or environmental well-being of their area or people living or working there; and
  - b. the difference between the unrestricted value of the land (basically the unrestricted market value of the land ignoring any conditions voluntarily imposed by the authority) and the actual consideration for the disposal must not exceed £2,000,000.
- 42 The rental valuation for the current property is £23,000 per annum which is proposed to be foregone due to the peppercorn terms which are deemed reasonable under the General Consent due to the proposal meeting the requirement to secure the promotion or improvement of economic, social and environmental wellbeing in the area.
- 43 The information contained in the exempt appendix (Appendix 1) is designated as being exempt from publication as it contains confidential information relating to Hamara's fundraising position. This information is important to the decision as it forms part of the Council's due diligence process to establish that the project delivery costs in the proposal are fully funded. However, as this information includes unconfirmed or unsecured funding applications to external funders it is not appropriate for publication. It is not in the public interest to disclose this information and has therefore been designated as being exempt from publication under Access to Information Procedure Rule 10.4(3). Treating this information in this way protects the interests of grant funding organisations who may not have publicised their intention to fund this project as a result of funding conditions not being met, for example, the issuing of a lease. The total anticipated cost for the scheme is included within the report, as well as the intention for it to be funded largely through external grants. Any public interest in disclosing details of the funding make-up would not outweigh the requirements of keeping them exempt from publication.

## **Options, timescales and measuring success**

### **What other options were considered?**

- 44 The disposal of the freehold of the site to Hamara was discussed to provide Hamara with autonomy over the site and avoid it being subject to the risk mitigations highlighted in this report. However, Hamara was confident that the leasing of the site on a 99-year term was their preferred option.

- 45 Another option that was discussed with Hamara was to develop the site through the delivery of a refurbishment scheme using the current building as base to enhance and expand. This could have been sanctioned under provision within the existing lease and could have been argued to be a more cost-effective solution to enhancing the delivery capacity of the centre. This option was also ruled out by Hamara on the grounds that the structure, condition and layout of the current building would restrict the standard and scope of services that the centre needs to deliver to support the stated outcomes of the project.
- 46 An extension of the term of the current lease held by Hamara would not have been suitable as it does not include consent for the demolition of the current sports hall building. Furthermore, a new ground lease could not be entered into while the current lease for the site and the building is in place. Hamara's intention to demolish the existing building in order to facilitate the construction of a new building requires an additional layer of governance to protect the Council's property interests.

An agreement for lease caveated with certain conditions is the recommended approach to mitigate this situation and facilitate the delivery of the scheme. The recommendations contained within this report are the result of a carefully considered approach to progress a scheme that has been developed over several years to find the right approach to dealing with a unique and complex set of circumstances and challenges surrounding the project. The approach set out within this report balances the benefits of a delivering a project that enables the drawing down of significant external funding to deliver a sustainable and enhanced community facility in an area of high need with the burden of risk attached to the project as a consequence of it being developed on Council land and its successful delivery being subject to various external factors that are beyond the Council's control that could have implications on its resources.

### **How will success be measured?**

- 47 The proposal outlined in this report aims to deliver a new community facility in South Leeds that will significantly enhance the current offer from the building, providing modern new recreation and meeting facilities. The new facility will improve Hamara's delivery of its services, which include a contract with Leeds City Council for Day Opportunities Services, as well new services and activities that will be delivered from the site. Success will be measured against the objectives set out within Hamara's business plan, which include more people accessing services from the centre, including young women and girls which have been highlighted as a priority in the area.

### **What is the timetable and who will be responsible for implementation?**

- 48 Subject to the approval of the recommendations in this report, Legal Services will be instructed to draft and issue the final terms for an agreement for lease with Hamara. It is anticipated that this process will begin immediately following approval with approval of these terms to be delegated to the Director of City Development.

### **Appendices**

- Appendix 1 Hamara funding strategy – information designated as being exempt from publication under Access to Information Procedure Rule 10.4(3).
- Appendix 2 Draft Heads of Terms for a 99-year lease of the site known as Old Cockburn Sports Hall.
- Appendix 3 Equality Diversity Cohesion and Inclusion screening assessment form.

## **Background papers**

- None.