



# REPORT TO EXECUTIVE

## PORTFOLIO AREA: COMMUNITIES AND HOUSING

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Date of Meeting: 11th March 2013

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Public Yes

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Key Decision: Yes

Recorded in Forward Plan: Yes

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Inside Policy Framework

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**Title: HARRABY CAMPUS DEVELOPMENT PROJECT**

**Report of: Deputy Chief Executive**

**Report reference: SD0213**

### Summary:

This report updates members of the progress made to deliver the Harraby Campus Project at the former North Cumbria Technical College site. The project is a £12.5M capital development delivering a new three form entry Primary School and Community facilities for south Carlisle.

The report outlines the development of the project, the proposed funding arrangements and the future leases and community delivery model required to deliver the new facilities and services.

### Recommendations:

In light of this report the Executive is now asked to:

- i. Note the progress on the project to date as detailed in the report, and the on-going negotiations with the County Council;
- ii. approve the release of the £1.6million over years 2013/14 – 2015/16 from the Capital Programme, as the Council's contribution towards the project, delegating responsibility for incurring any spend up to a maximum of £1.6million to the Director of Community Engagement in conjunction with the Portfolio Holder Communities and Housing; subject to the satisfactory completion of the Funding Agreement;

**Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None**

- iii. Note the draft heads of terms for the lease arrangements, delegating responsibility of the final terms to the Property Services Manager in conjunction with the Director of Governance and the Director of Resources.

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**Ext:** 7004

## **1. BACKGROUND INFORMATION**

- 1.1** This report updates members on the development of the Harraby Campus Project and requests that the Executive approve financial support to the project as laid out in the recommendations.

### **1.2 The Harraby Campus Project**

The Harraby Campus Project covers an area of 12Ha in the south of the city. The location of the project is the former North Cumbria Technology College (NCTC) site at Edgehill Road. A map of the site is included at Appendix A.

- 1.3** The project brings together a number of partners who wish to develop new school and community facilities for the residents and wider population of Carlisle.

The partners are:

- Cumbria County Council
- Carlisle City Council
- Pennine Way Primary School
- Harraby Community Association (occupiers of the current City Council owned Community Centre)

A range of other groups and organisations (such as the children's charity Barnardo's) have also been engaged in the project to ensure the project objectives include current activities and represent future aspirations and needs expressed in the local community.

- 1.4** The key objectives of the project are:

- To rebuild and expend Pennine Way Primary School on the former NCTC site. The new school will accommodate up to 90 children into the reception class and will become one of the largest primary schools in Cumbria. This increase in primary school places is a response to a predicted rise in demand for education provision in south Carlisle over the next 10 years.
- To build a new integrated community centre – sharing the same property as the school, but with a separate lease and defined access / management arrangements.
- To design and develop the new facilities so they become a fully accessible and integrated part of the local community and also provide facilities for a larger catchment area of south Carlisle.

- 1.5** It is intended that the new facility will (in total) provide the following

- 21 flexible classrooms (reception to year 6)
- Main Hall (for school use during daytime)

- Theatre / ancillary hall (this already exists and will be retained and improved)\*
- Kitchen areas (providing school meals and serving the community cafe\*)
- ICT suite (Pennine Way already has a ICT development suite)
- Nursery / crèche\* facility
- Soft play area\*
- Sure start / Barnardo's facility\*
- 4 multi use rooms (to support community activities)\*
- Community Library (to be retained and improved) and cafe\*
- Multi use gym (existing, to be improved)\*
- Changing facilities (existing, to be improved)\*
- 4 court sports hall (existing, minor improvements)\*
- Floodlit outdoor 3G pitch and five a side pens (built on the existing all weather pitch footprint)\*

A schematic drawing of these facilities is attached at Appendix B.

\* Community use facilities

## **1.6 Project Costs**

The total costs of the project are valued at £12.5M (inclusive of £1.6M for the community facilities, marked with an \* above). The project partners have entered into a selection process for a design and build project, in line with County Council procurement procedures. Laing O'Rourke have now been selected as the main contractor with Atkins being selected as architects for the development.

Work has already commenced to demolish the former NCTC site and the partners wish to commence a full design consultation process week commencing 2<sup>nd</sup> April (after the Easter bank holiday). Following this ten week design process a final building design will be approved and construction will begin. It is anticipated that the building will be completed and opened in September 2014, in time for the new school year in take.

## **1.7 Governance and procurement process (County Council)**

Cumbria County Council Cabinet have approved (12<sup>th</sup> April 2012) the demolition of the former NCTC facility and also agreed to proceed with a joint County and City project to provide school and community facilities. The County Council have also delegated responsibility to Directors to sign off a capital business case for full commencement of the project. The County Council drafted a Funding Agreement to cover this relationship in December 2012 and City officers have been working with County colleagues during this period to develop an agreement that both parties can sign.

The Funding Agreement is designed to bring clarity and certainty to the development responsibilities of both parties and the letting (or lease) arrangements that will flow from this new development. A separate lease will also be developed to reflect the designation of new facility (city / county) and lay out the provisions for the city to sub let this property to a suitably qualified and positioned community association. These issues are explored further below.

## **1.8 Land Ownership and Property issues**

Land ownership interests shown on the attached plan (Appendix A) are as follows:-

- Cumbria County Council – own the freehold interest in North Cumbria Technology College (NCTC) and Pennine Way School shown edged red and green.
- Carlisle City Council – own the freehold interest in Harraby Community Centre, car parking and amenity areas edged blue.
- The Trustees of Harraby Community Association – have a leasehold interest in the Community Centre and land shown edged black and crosshatched.

The lease to the Trustees of Harraby Community Association was granted for a term of 25 years from 2000 at a peppercorn rent. The City Council is responsible for repairs, maintenance and building insurance. While there is no express provision in the lease for the Council to terminate the lease early, it is open to the Council to accept surrender of the lease from the Trustees of Harraby Community Association. The proper surrender of this lease is essential for the successful completion of this project and as such the City Council's legal team are working with the Community Association to ensure this request is completed.

Delivery of the Harraby Campus Project requires a number of arrangements between the County Council, Carlisle City Council and the Trustees of Harraby Community Association to be put in place, these are currently under development.

The proposed skeletal framework for these transactions consists of the following:-

- **Funding Agreement** – this will provide for the County to build the new scheme incorporating enhanced Community Centre facilities. This will be to an agreed design, specification, cost and timetable, with an undertaking on completion of the works, to grant a long leasehold interest of the Community Centre facility to the City Council. It will also provide for the demolition of the existing Community Centre building (if required) once the relocation has taken place.
- **Head Lease Agreement** – On completion of the development scheme Cumbria County Council will grant the City Council a long lease of the new Community Centre at a peppercorn rent. The new lease will be based on the indicative Heads of Terms proposed by the County Council outlined in Appendix C. The

precise content, nature and terms of the lease will require discussion, negotiation and agreement between the parties.

- **Agreement to Surrender/Re-grant Sub Lease** – The Trustees of Harraby Community Association will be required to surrender their existing 2000 lease for the Community Centre premises. In return a new Sub Lease will be granted to the Trustees of the Association for the new community facilities forming part of the Harraby Campus Development Project. Terms and conditions for the surrender and lease re-grant will need to be finalised between the City Council and the Trustees of Harraby Community Association. It is envisaged these terms will follow the format of the existing Centre lease, subject of course to the requirements of the overriding head lease the City will have with the County Council.

The Council has power to acquire land and property for the benefit or improvement of the area under Section 120 of the Local Government Act 1972, and the Local Government Act 2000 also provides the Council with power to do anything which it considers likely to achieve the promotion or improvement of the economic, social or environmental well being of its area.

The Council's policy on the release, disposal and letting of assets is set out in the Asset Management Plan. Assets will normally be disposed of in accordance with the provisions of Section 123 of the Local Government Act 1972, which imposes with limited exceptions a statutory duty on the Council to sell and lease assets for the best consideration reasonably obtainable. If the Council wishes to exercise its discretion and sub lease the new Community Centre facilities at a peppercorn rent or under value, as is the case with the existing lease arrangements, the consent of the Council will be required, this would be the subject of a separate report. The Asset Management Plan gives the Council flexibility over the approach to land transactions where the purpose is to deliver social, housing, economic or environmental benefits to meet agreed corporate priorities

Following completion of the Development Scheme, and the relocation of the Community Centre into the new facility, the City Council will be left with vacant and redundant premises and site. There will be a need to consider the costs and feasibility of retention, in the light of future alternative uses or disposal, and/or whether the Centre building should be demolished as part of the planned development scheme.

## **1.9 Capital funding commitment process and ongoing revenue implications (Carlisle City Council)**

In this years budget decision the City Council agreed to include this project in its capital programme. Funding has been agreed to a maximum of £1.6m and would be phased over three consecutive financial years as follows:

**13/14 £600,000**

**14/15 £500,000**

**15/16 £500,000**

The financial implications of this project are complex and there are significant issues which will need to be considered as part of the detailed discussions on the funding agreement. These include the tax status of the project, including both the VAT liability and the implications for stamp duty on the proposed lease arrangements. Any unrecoverable VAT and stamp duty liabilities would have to be met from the County Council or from the current budgetary provision of £1.6million.

It is envisaged that the lease from the County Council and subsequent sub-lease to the Trustees of the Community Association would be at a peppercorn rent, creating no additional liabilities for the Council. However the on-going running costs of the new Community Centre, which is yet to be determined, would have to be met from the Community Association, with no increase in the level of revenue support provided by the City Council to Harraby Community Centre, which for 2013/14 is set at £36,400. A full business case for the new Community Centre operation is still to be completed; this will include income from the sports facilities.

The proposed lease and the operational arrangements for the use of shared space will have ongoing revenue implications for service charges, rates, repair and maintenance costs, decoration and insurance. Over the coming months, these costs will be estimated and quantified to inform the MTFP and the terms of the sub-lease with the Trustees of the Community Association.

Due diligence in relation to the County's title to the land and in relation to the construction contract, e.g. warranties will be proportional and risk based, commensurate with the partnership approach that both Councils are committed to.

#### **1.10 Extended services – new community model**

Harraby Campus Project is a significant partnership between the City and County that will bring a range of benefits to local people and wider communities by making available opportunities for training, arts, sport and cultural activities.

The scope of the services to be delivered by Harraby Community Association, in relation to enhanced community facilities, i.e. sports, arts and cultural provision, is still to be defined, but is substantially more than the current. Moving forward, a programme of engagement, dialogue and capacity building with the Trustees and

Management Committee will be required to identify service delivery options and develop a full business case.

Harraby Community Association are currently exploring business model options for developing their status, capacity, capability and governance arrangements. They have retained external support to undertake this work and are keeping in close contact with city officers as they appraise their options. It is anticipated that the new community model will be completed and agreed by the Trustees before any new sub lease is signed with the City Council.

## **2. CONSULTATION**

### **2.1 Consultation to Date.**

To date significant consultation with the local community, Community Association, Together We Can project group, key partners (e.g. Barnardo's), Carlisle Leisure Limited, Carlisle College and other local stakeholders has taken place. This has taken the form of early design discussions, needs assessments, stakeholder meetings and Project Board discussions.

### **2.2 Consultation proposed.**

Further to completion of the Funding Agreement and formal appointment of Laing O'Rourke a ten week consultation programme will begin, see section 1.6 above.

## **3. RECOMMENDATIONS**

In light of this report the Executive is now asked to:

- i. Note the progress on the project to date as detailed in the report, and the on-going negotiations with the County Council;
- ii. approve the release of the £1.6million over years 2013/14 – 2015/16 from the Capital Programme, as the Council's contribution towards the project, delegating responsibility for incurring any spend up to a maximum of £1.6million to the Director of Community Engagement in conjunction with the Portfolio Holder Communities and Housing; subject to the satisfactory completion of the Funding Agreement;
- iii. Note the draft heads of terms for the lease arrangements, delegating responsibility of the final terms to the Property Services Manager in conjunction with the Director of Governance and the Director of Resources.

## **4. REASONS FOR RECOMMENDATIONS**



To enable the project to move forward in line with the proposed timetable and to release the City Council's funding contribution in line with the recommendations contained in the report.

## **5. IMPLICATIONS**

- Staffing/Resources – N/A

- Financial – This project was approved as part of the 2013/14 – 2015/16 capital programme.

This report seeks release of the capital budget of £1.6million to enable the scheme to progress. A full business case has yet to be prepared but this will need to be considered and approved by the Corporate Programme Board. The financial implications of this scheme are set out in the main body of the report and even at this early stage of the scheme, it is evident that there are many issues which require clarification and agreement before any funding is released. Therefore it is recommended that funding support be agreed and responsibility delegated to the Director of Community Engagement pending the satisfactory conclusion of the Funding Agreement. Work will continue to determine the VAT and stamp duty status of the project and future leasing arrangements in order to mitigate any tax liabilities; however any liability will have to be met from the County Council or as a first call on the £1.6million contribution. A further issue to consider is any potential changes required to the Council's Insurance provision for the scheme and new Community premises. It is envisaged that any on-going revenue costs can be met from within the current budgetary provision of £36,400.

- Legal – The body of the report highlights numerous general legal considerations; additional specific comments are as follows:

When disposing of land the Council has a duty under Section 123 of the Local Government Act 1972 to obtain the best consideration reasonably obtainable. If the Council disposes of land at less than best consideration then it requires The Secretary of State's consent before the disposal can proceed.

The General Disposal Consent 2003 allows a disposal at an undervalue if the Council considers that the disposal will help the Council secure the promotion or improvement of the economic social or environmental well-being of the area in which the Property is situate.

Where the disposal does take place at less than best consideration account must be taken of the Council's general fiduciary duty to act reasonably in the interests of the electorate and consistent with effective economic and efficient discharge of the Authority's functions.

The disposal proposed is for a Lease of a term of years (minimum of 99 years) at a nominal rent of either a peppercorn or One Pound (£1.00). The use being restricted to purposes as defined in any related planning consent.

As outlined elsewhere in this report, there are ongoing negotiations between all the parties concerned, which will continue over the coming months, in order to agree the extent of the obligations, rights, reservations and financial implications which are central to the legal interests being entered into by the contracting parties (surrenders, leases and underleases or licences – final drafts to be agreed) and which, when agreed and completed, will define the relationships between the parties and help to facilitate smooth running of this new community initiative.

In terms of the financial assistance, the Local Government Act 2000 (Section 2) provides that the Council has the power to do anything which it considers likely to achieve the promotion or improvement of the economic, social or environmental well-being of its area. The power may be used in relation or for the benefit of the whole or any part of the community or all or any persons present or resident in the Council's area. The Council is able to incur expenditure; give financial assistance to any person; and enter into agreements or arrangements with any person. In exercising the power, the Council must have regard to its Community Strategy.

- Corporate – The project sits within Priority 2 of the new draft Carlisle Plan.
- Risk Management – Key risks associated with this report are:
  - Potential for significant additional capital costs due to project delays, over runs or changes to design, construction materials etc.: This risk will be mitigated by capping the City Council contribution to a maximum of £1.6M
  - Potential for the Harraby Community Association deciding to not move to the new facilities and retaining their existing lease: This risk will be mitigated by requiring the Community Association to surrender their existing lease before any new lease with the County Council is signed.
  - Potential for significant additional revenue costs to be incurred by the Community Association as a result of undertaking a new lease on the new school site: This risk will be mitigated by developing a full schedule of fixed and variable costs (within the Community Association Business Plan) to the Community Association. This will include the new sports facilities and their potential for generating additional income.
- Environmental – N/A
- Crime and Disorder – The Community Centre will seek to support anti social behaviour and youth initiatives, making a positive contribution to reduce crime and disorder in Harraby.
- Impact on Customers – The provision of new facilities, services and a joint school and community offer is intended to improve customer access to services.

- Equality and Diversity – See below

### Impact assessments

Does the change have an impact on the following?

Equality Impact Screening	Impact Yes/No?	Is the impact positive or negative?
Does the policy/service impact on the following?		
Age	Y	P
Disability	Y	P
Race	Y	P
Gender/ Transgender	Y	P
Sexual Orientation	Y	P
Religion or belief	N	-
Human Rights	N	-
Health inequalities	Y	P
Rurality	N	-

If you consider there is either no impact or no negative impact, please give reasons:

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.....

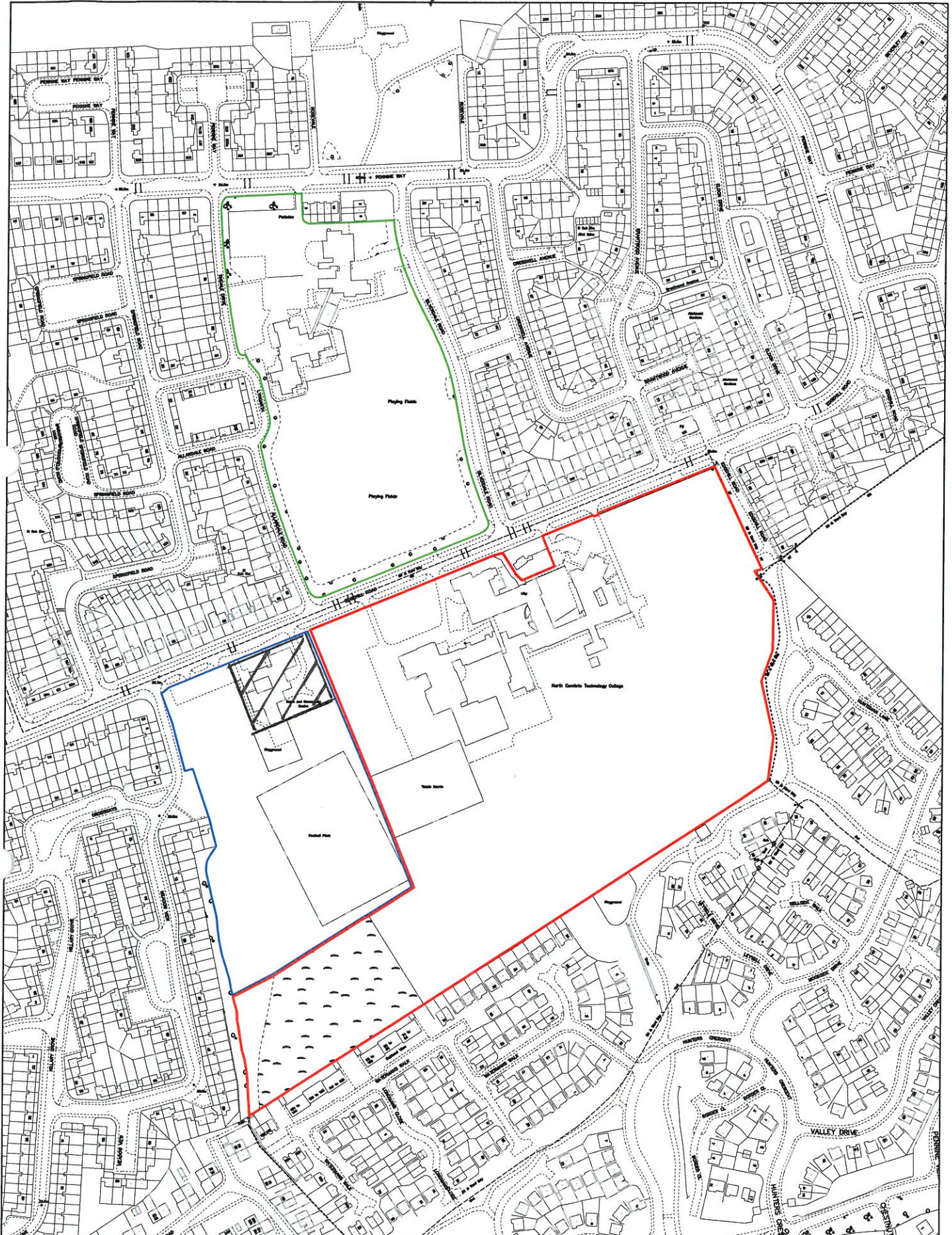
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If an equality Impact is necessary, please contact the P&P team.






# Haraby Campus Land Ownership

## Appendix I



Parkhouse Building  
Kingmoor Business Park  
CARLISLE  
Cumbria  
CA6 4SJ  
Tel. 01228 673030

-  Cumbria County Council Ownership  
Approx area = 9.02Ha or 22.28ac
-  Carlisle City Council Ownership  
Approx area = 2.84Ha or 7.02ac
-  Cumbria County Council Ownership  
Approx area = 3.74Ha or 9.23ac

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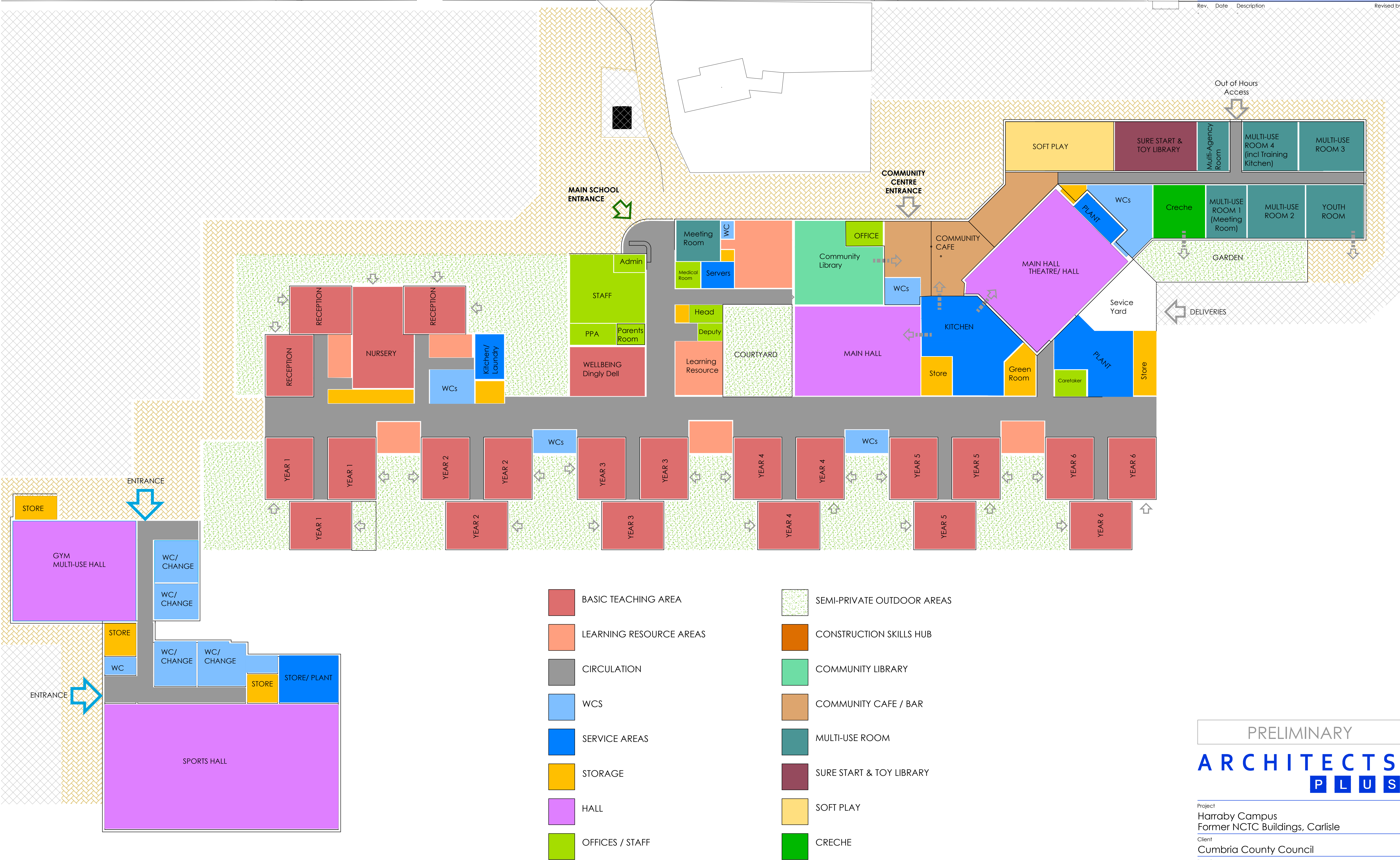
Haraby Campus Project Area, Edgehill Road, Carlisle

Drawn by DF

Scale: 1/2500 @ A3

Date: 11.12.12





**School & Community**  
**OPTION C** - 3 Form Entry School, Theatre and Foyer retained,  
 new Library, new Community Centre

PRELIMINARY  
**ARCHITECTS PLUS**

Project  
 Harraby Campus  
 Former NCTC Buildings, Carlisle  
 Client  
 Cumbria County Council  
 Drawing  
 PHASING OPTIONS - DESIGN OPTION 4  
 OPTION C  
 Scale  
 1:250@A1  
 Date  
 Mar 12  
 Drawn  
 C.J  
 Comp.No.  
 P03  
 Number  
 11065-20



## **Appendix C – Outline Long Lease – Main Terms**

### **Demise**

The precise extent of the new Community Centre facilities with associated external facilities (the Centre) will not be finalised until completion of the design process. It is intended that the Centre will be integral to the new Pennine Way Primary School (the School) and will share services and other facilities with the School.

The existing Community Sports facilities will be included in the Long Lease together with new external 3G pitches.

All the facilities shall be available for use by both the Primary School and the Community, subject to agreement on usage all acting reasonably.

### **Tenure**

99 years.

### **Consideration**

Annual rent shall be a peppercorn with no rent reviews.

### **Repairs**

On behalf of the tenant the landlord shall maintain the exterior, main structure and all building services plant and apparatus, drains; pipes etc relating to the demise, the costs thereof to be recovered from the tenant via service charge payments.

The tenant shall maintain the interior of the demise in good tenantable repair at all times.

### **Decoration**

On behalf of the tenant the landlord will be responsible for decorating the exterior of the Centre not less than once in every 7 years; the costs thereof to be recovered from the tenant via service charge payments

The tenant will be responsible for decorating the interior of the Centre not less than once in every five years and additionally in the last year of the term to the colour scheme and satisfaction of the landlord

### **Outgoings**

The tenant shall be responsible for the payment of rates and all other usual tenants' outgoing arising from the occupation of the Centre.

### **Cleaning**

The tenant shall be responsible for cleaning the Centre.

## **Service Charge**

In addition to the aforementioned items the following charges shall apply;

In relation to the maintenance of any common areas or structures the landlord will undertake the required repairs and the tenant shall pay the landlord a reasonable proportion of the costs incurred

In relation to the provision of shared services such as heating, electricity, water, telecoms security, cleaning etc, the tenant shall pay the landlord a reasonable proportion of the costs of maintaining the relevant plant and for services consumed. Where possible sub meters will be provided to facilitate payment arrangements

## **User**

The Long Lease shall contain a clause restricting the use of the Centre to Community Centre/ Community Sports purposes only.

## **Assignment and Underletting**

The Tenant may assign or sublet the whole of the Centre subject to obtaining the landlords consent. Assignment or subletting of the whole of the Centre to the existing Harraby Community Centre organisation shall be permitted. In this event the City Council shall stand as guarantor.

## **Insurance**

The Landlord will insure the Centre against fire and other major risks and shall recover the premium from the tenant as part of the service charge payments

The tenant shall obtain insurance to indemnify the landlord against any claims arising from the tenant's use of the Centre, howsoever arising, and undertakes to advise the landlord if any additional insurance is necessary having regard to the particular nature of the intended user.

The tenant shall be responsible for insurance of its own fixtures, fittings and contents.

## **Alterations**

The tenant shall not be permitted to make any structural or external alterations whatsoever. The tenant may carry out internal non-structural alterations to the Centre, (having first provided written plans and specifications to the landlord for its consideration) with the landlord's prior written consent. The tenant shall be obliged to reinstate any alterations on the determination of the Long Lease.

**Nuisance**

The tenant is not to permit or cause to be permitted any nuisance, annoyance or inconvenience to the School.

**Signage**

The tenant may erect and renew signs, markings and crests by prior written consent of the landlord, such consent not to be unreasonably withheld. The tenant will covenant to remove any signage and make good any damage to the Centre at the determination of the Long Lease.

**Exclusion of Security of Tenure**

The Long Lease shall contain an agreement between the landlord and tenant that the provisions of sections 24- 28 of the Landlord and Tenant Act 1954 will be excluded in relation to the tenancy to be created by the long Lease.

Version 12 December 2012