

Joint Report of Director of City Development & Director of Children's Services

Report to Executive Board

Date: 4th September 2013

Subject: Design & Cost Report for Acquisition of Kernel House, Acorn Business Park, Leeds 14 for Council Accommodation

Capital Scheme Number: 16794 / TDF / EVE

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s): Gipton & Harehills, Burmantofts & Richmond Hill, Chapel Allerton, Moortown, Alwoodley, Harewood, Killingbeck & Seacroft, Crossgates & Whinmoor, Temple Newsam, Wetherby, Garforth & Swillington, Kippax & Methley (East North East locality)		
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, Access to Information Procedure Rule number: 10.4(3) Appendix number: 3		

Summary of main issues

1. The purpose of this report is to seek Executive Board approval to acquire Kernel House, Acorn Business Park, Leeds 14 to facilitate the relocation of Children's Services staff from Roundhay Road.
2. At its last meeting, Executive Board considered a report about the asset review; the context of which is the spending review, the need to improve our property portfolio and rationalise poor quality buildings that could be brought forward for development to support other initiatives such as housing growth.
3. The Council has a long-standing proposal to vacate the Roundhay Road accommodation due to it being considered unsuitable in the long term for service delivery and as office accommodation. As a result, over the past 8 years the Roundhay Road site has gradually been vacated. All occupiers of the site, with the exception of Children's Services staff, are expected to have relocated by September 2014.

4. It is now considered necessary that the remaining staff are relocated, as the accommodation is inappropriate for modern customer service delivery and its condition is deteriorating to such an extent that the working environment for staff is below standard.
5. A search for alternative accommodation for Children' Services staff has identified a 'fit for purpose' property which meets all the service requirements. The acquisition of the property provides value for money and would be a good investment for the Council at a time when focus has been reducing the amount of 'leased-in' space.
6. The acquisition of the property and subsequent relocation of staff from Roundhay Road will facilitate vacant possession of the entire site, which can then be sold for development realising a capital receipt and supporting the regeneration of the area. It was envisaged, at the time the decision was taken, to gradually vacate the site; and that the combined vacated site would present a significant opportunity to support the regeneration of the locality. However, as a result of the economic downturn and the complexities of the site, it has not been considered likely that a deliverable scheme for the site could have been brought forward over the past five years, and its vacation would have left the Council with a significant and prominent derelict site.
7. In current circumstances, it is considered that it will now be possible to produce a Planning Brief for this site and the adjoining former nursery site, which will attract interest in its redevelopment. Therefore it is proposed that the Roundhay Road site is brought forward for redevelopment at the earliest opportunity.

Recommendations

5. Executive Board is recommended to:
 - (i) note the contents of the report;
 - (ii) approve an acquisition of the long leasehold interest for Kernel House on the terms identified in the confidential Appendix 3; which will provide the Council with the unencumbered freehold interest in the site, to facilitate the relocation of Children's Services staff from Roundhay Road, and thus secure vacant possession of the site in readiness for its future disposal at the earliest opportunity;
 - (iii) delegate authority to the Director of City Development to agree the final detailed terms for the acquisition;
 - (iv) approve the injection of the sum identified in confidential Appendix 3 into the Capital Programme and give authority to spend the monies as required; and
 - (v) approve ring fencing of the balance of the net receipt for the Roundhay Road site to fund the acquisition of Kernel House.

1 Purpose of this report

- 1.1 To seek Executive Board approval to acquire office accommodation at Kernel House, Acorn Business Park, Leeds 14, to facilitate vacant possession, and the subsequent disposal of the Council owned site at Roundhay Road.

2 Background information

- 2.1 The Council has a longstanding aspiration to vacate its Roundhay Road site and bring it forward as a regeneration development opportunity. A plan of the site is attached as Appendix 1.
- 2.2 The current site is not suitable for the provision of Council services or office accommodation, with a number of issues identified:
- in general the site offers poor suitability for Children's Services, particularly as clients require access to the building;
 - the office accommodation is inefficient primarily due to the layout of the building and the number of cellular offices provided;
 - the facilities available at Roundhay Road do not lend themselves to the delivery of a modern and efficient service; and,
 - condition surveys have identified backlog maintenance in excess of £900,000, excluding fees and contingencies.
- 2.3 A number of services have already vacated the Roundhay Road site. In 2009, Unit 1 Killingbeck Court (immediately adjacent to Kernel House) was acquired as alternative accommodation for the Adult Social Care Team and by 2011 the Clifford Brooke and Kellet Centres had both been relocated. These moves were financially supported by a call against the future Roundhay Road capital receipt.
- 2.4 The Roundhay Road site is still occupied by Children's Services. The Leeds Equipment Store is still on site but next year will be moving to the new Assistive Technology Hub being developed by Adult Social Care in partnership with the health service in Hunslet. The Adult Services records archive is still on site at Roundhay Road, but is being prepared for a move to the Westland Road archive.

3 Main issues

- 3.1 At its last meeting, Executive Board considered a report about the asset review, which is set in the context of the spending review, the need to improve our property portfolio and rationalise poor quality buildings that could be brought forward to support other initiatives such as housing growth. As part of this, Executive Board noted the progress of the asset review and its aim to rationalise Council property; and also considered and adopted the principles of good asset management. The proposal in this report has been brought forward in light of these principles and links together two core elements which are:-

- the release of the Roundhay Road site to bring forward a development opportunity which will support the regeneration of the area; potentially contribute towards housing growth and other city priorities, as well as the realisation of a capital receipt.
- the relocation of Council staff from accommodation which is not suitable for their occupation or service needs. The Council aims to have good quality assets which are fit for purpose, in the appropriate location and that meet service requirements. The Roundhay Road site does not deliver against these aims.

3.2 Children's Services has some 138 staff based within the building fronting Roundhay Road, comprising all or a proportion of the Social Work, Complex Needs and Adoption, Fostering & Kinship Care teams for the East North East locality. As well as providing office accommodation, the site is also used to provide some direct delivery with clients accessing services such as training and contact sessions at the building.

3.3 The search for suitable alternative accommodation, for the Children's Services staff has, until recently, focused on existing Council owned and leased-in premises within the East North East locality. However, it has had to be acknowledged that it is unlikely that a ready-made solution is available within existing Council assets in the area, and therefore a number of alternative options have been considered:

3.3.1 **Refurbishment of the Roundhay Road site.**

Given that the greater balance of the site is already vacant, and by September 2014 Children's Services will be the only remaining occupiers, along with the current condition of the building (backlog maintenance in excess of £900,000), refurbishment would not provide value for money and would impact on the full potential being realised in terms of regeneration and capital receipt from the site.

3.3.2 **Refurbishment of another Council property in the area**

This search identified only one property worth scoping, this being the former Fir Tree Primary School site. There were substantial issues and costs with the proposal, including planning/highways issues regarding creation of office accommodation out of centre, traffic management in a residential location and provision of sufficient parking to meet service need. These issues were enough to disregard this as a viable solution.

3.3.3 **Acquisition of third party premises**

With confirmation that there were no appropriate Council properties within the locality for occupation, the search was widened to include third party accommodation. A number of properties were identified and appraised in terms of meeting service requirements on location, overall provision, car parking (majority of staff are essential car users) and value for money.

Proposals and Full Scheme Description

- 3.4 Through the above process, Kernel House was identified, providing 13,300ft² of modern office accommodation split equally on ground and first floors. A plan of the site is attached at Appendix 2.
- 3.5 The property meets all of Children's Services requirements in terms of:-
- good road and public transport links, therefore accessible for service users and staff;
 - open plan office layout;
 - good provision of meeting space for staff;
 - space for dedicated direct service delivery;
 - separate entrance points for service users and staff; and
 - good car parking provision.
- 3.6 Kernel House is located on the Acorn Business Park in Killingbeck, just off York Road, adjacent to Killingbeck Court where the Council already owns a property occupied by Adult Services.
- 3.7 A ground lease for a term of 125 years was granted by the Council to the developer of the site for a premium at a peppercorn rental on 14th December 1989. The Council is the freeholder. A sub-lease currently exists which is due to expire in July 2014. The building has been vacant for at least 18 months, with attempts to re-let being unsuccessful.
- 3.8 Confidential Appendix 3 provides details of terms and cost implications of the acquisition, which demonstrates that the purchase of the property would deliver value for money for the Council.
- 3.9 From a service point of view, the benefits that could be achieved from relocating to Kernel House include:
- improvements and efficiencies in service delivery, due to the potential to co-locate of teams (including staff from other sites);
 - increased quality of direct service delivery through much improved facilities;
 - vacating poor and inefficient property for the acquisition of fir for purpose modern office accommodation;
 - provision of dedicated space for contact sessions and training for foster carers and prospective adoptive parents;
 - increased staff morale as the potential relocation from Roundhay Road has been under consideration for a number of years, and dissatisfaction levels with the current accommodation have increased in that period;

- creation of a social care 'hub' in East Leeds as the site is adjacent to Adult Services accommodation at Unit 1 Killingbeck Court; and
- a more central location within East Leeds will provide better mobilisation for staff around the entire area.

3.10 The relocation of Children's Services from Roundhay Road will be the final outstanding element to securing vacant possession of the entire site, which would enable the Council to commence the disposal process.

3.11 The Roundhay Road site is within the Harehills regeneration area and, in its current state, has a negative impact on the neighbourhood. As the site has become increasingly vacant there is the increased chance of vandalism and anti-social behaviour, which could have implications in terms of requiring a budget to manage and secure the site.

3.12 In achieving vacant possession, the regeneration objectives of the area can be supported through bringing the site forward for redevelopment as soon as possible, securing a future viable use, including potential housing, which will contribute to uplifting and improving the area.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 The Executive Member for Children's Services has prioritised the relocation of staff from Roundhay Road. She has been consulted about the purchase of alternative accommodation and is supportive of this proposal.

4.1.2 The Executive Member for Development and the Economy is supportive of the proposal.

4.1.3 As the primary use of Kernel House would be an office function, consultation has only taken place with staff. The service does not hold the view that consultation with service users is necessary as visits to the building are on a pre-arranged basis only, it has good road and public transport links and is more central to the East North East area than Roundhay Road.

4.1.4 Ward members will be consulted about future plans for the Roundhay Road site and the neighbouring site in the context of the regeneration plans for the area. There is sufficient time to plan for its vacation and alternative use, in line with the principles agreed as part of the derelict and nuisance properties programme

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 An Equality, Diversity, Cohesion and Integration Screening has been completed as there may be implications for some staff due to the relocation from Roundhay Road.

4.2.2 The equality impacts of the proposed relocation to Kernel House are positive ones due to the significant improvement this would deliver in terms of quality of accommodation, general work environment and accessibility.

4.2.3 An independent impact assessment is not required for the approvals requested. The screening document is attached at Appendix 4.

4.3 Council policies and City Priorities

4.3.1 The proposed acquisition supports the Council's value of spending money wisely, through choosing to deliver the best value for money solution.

4.3.2 Kernel House will enable services to be delivered to vulnerable children and their families in a much improved environment, therefore contributing to the City Priority of being Best City for Children and Young People, as well as the Child Friendly Leeds agenda.

4.3.3 The property would also contribute to the aim of the Council of having a modern and fit for purpose estate.

4.4 Resources and value for money

4.4.1 As stated above Children's Service have a specific, locality based accommodation need that cannot be met through the existing assets of the Council. Therefore meeting the service need requires an acquisition of the accommodation, with the purchase offering the best value for money for the Council as detailed in confidential Appendix 3.

4.4.2 The acquisition of the property will provide the Council with a much needed solution to the Children's Service issue of substandard office accommodation at Roundhay Road. In terms of asset management, this transaction will provide vacant possession of the Roundhay Road site to be achieved by September 2014. Subject to Executive Board approval, consultation and plans for the future of the site will be put in place so that it can be brought forward for disposal as soon as possible prior to vacation. Consideration may need to be given to the early demolition of the buildings on site, although it is possible that there may be some merit in retaining the frontage to the main office building.

4.4.3 Kernel House will be an investment asset which, should Council office accommodation requirements change in the future, could be either leased out and provide a revenue stream or provide a capital receipt through a sale of the site.

4.4.4 The acquisition of Kernel House would be funded from the net capital receipt from the sale of the Roundhay Road site after paying for the Adult Services move to Unit 1, Killingbeck Court at a cost of £900,000. If there is a funding shortfall the balance will be funded through the capital programme contingency. Kernel House would be managed as a civic building. Details of the capital requirement and associated borrowing costs are detailed in Appendix 3.

4.4.5 The day to day running costs at Kernel House are anticipated to be lower than existing accommodation at Roundhay Road. Specifically utility costs/cleaning and maintenance costs are forecast to be £52k as opposed to £88k per annum at Roundhay Road, however, as a more modern building the rates liability for Kernel House will be greater as a function of occupying modern fit for purpose accommodation. Taking all these running costs into account there is anticipated to

be c£40k per annum additional costs. Children's Services has confirmed that, as relocation from Roundhay Road is a Directorate priority, the £41,000 shortfall will be met from within its revenue budget for 2014/15 onwards.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The Executive Board has authority to discharge any function in relation to the management of land, (including valuation, acquisition, appropriation, disposal and any other dealings with land or interest in land) and Asset Management.
- 4.5.2 The information in confidential Appendix 3 attached to this report relates to the financial or business affairs of a particular person and the Council. This information is not publicly available from the statutory registers of information kept in respect of certain companies and charities. It is considered that since this information relates to a financial offer that the Council has submitted to purchase the property in a one to one negotiation it is not in the public interest to disclose this information at this point in time. Also it is considered that the release of such information would or would be likely to prejudice the Council's commercial interests in relation to other similar transactions in that prospective purchasers of other similar properties would have access to information about the nature and level of consideration which may prove acceptable to the Council. It is considered that whilst there may be a public interest in disclosure, much of this information will be publicly available from the Land Registry following completion of this transaction and consequently the public interest in maintaining the exemption outweighs the public interest in disclosing this information at this point in time. It is therefore considered that this element of the report should be treated as exempt under Rule 10.4.3 of the Access to Information Procedure Rules.
- 4.5.3 The Head of Property Services confirms that in his opinion the figure offered is a fair market value for this leasehold interest.

4.6 Risk Management

- 4.6.1 A project team has been established which will manage the acquisition and fit out of the property to meet the exact specification of Children's Services to ensure they are able to deliver a first class service to children and families across East North East Leeds. The work of the project team will mitigate risks of the accommodation not meeting service requirements once ready to occupy.
- 4.6.2 Should Children's Services no longer require the accommodation in the future the Council will have, as a civic building, a modern and integrally sound property that could be used to accommodate any number of services or teams. There is therefore minimal risk that the Council will end up with a vacated building which it cannot fill.

5 Conclusions

- 5.1 The acquisition of the long leasehold interest of Kernel House would resolve a long standing issue with finding suitable alternative accommodation for Children's Services staff currently based in an inadequate provision at Roundhay Road.

- 5.2 In financial terms, and specifically in respect of the call upon future revenue budgets, acquiring Kernel House provides better value for money than leasing, as the annual cost of servicing council borrowing is significantly cheaper than the cost of renting.
- 5.3 From a corporate asset management point of view, the acquisition of the property is a good investment as it provides the Council with fit for purpose locality based office accommodation; and it is adjacent to an existing Council owned property therefore providing efficiencies in servicing and maintenance of the two sites. If in the future the property should become surplus to the Council's staffing requirements it could be either leased out to provide a revenue stream or sold to release a capital receipt. In terms of the Council's current asset review and rationalisation programmes it would facilitate the disposal of, and provide a capital receipt for, the Roundhay Road site.

6 Recommendations

6.1 Executive Board is recommended to:

- (i) note the contents of the report;
- (ii) approve an acquisition of the long leasehold interest for Kernel House on the terms identified in the confidential Appendix 3, which will provide the Council with the unencumbered freehold interest in the site, to facilitate the relocation of Children's Services staff from Roundhay Road, and thus secure vacant possession of the site in readiness for its future disposal at the earliest opportunity;
- (iii) delegate authority to the Director of City Development to agree the final detailed terms for the acquisition;
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- (vi) approve ring fencing of the balance of the net receipt for the Roundhay Road site to fund the acquisition of Kernel House.

7 Background documents¹

7.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.