

Report of the Director of City Development

Report to the Sustainable Economy & Culture Scrutiny Board

Date: 9th September 2014

Subject: Asset Management

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

The purpose of this report is to provide Scrutiny Board with the asset management information requested further to the Board's meeting of 22nd July 2014, and to also submit a copy of the draft of the Council's Asset Management Plan 2014-17 for consideration and comment.

Recommendation

The Sustainable Economy and Culture Scrutiny Board is requested to:

- i) note the contents of the report; and
- ii) provide comments on the draft Asset Management Plan.

1.0 Purpose of this report

- 1.1 The purpose of this report is to provide Scrutiny Board with the asset management information requested further to the Board's meeting of 22nd July 2014, and to also submit a copy of the draft Asset Management Plan to the Board for consideration and comment, it is proposed to be submitted to Executive Board in November 2014.

2.0 Background information

- 2.1 The Best Council Plan 2013-17 undertakes to become '*a more efficient and enterprising council*' through, amongst other things '*improving how we're organised and making the best use of our assets.*' The asset rationalisation programme will deliver against the specific performance measure to '*reduce the cost of our property assets*' and '*review the operational portfolio and optimise the investment portfolio in line with the Asset Management Plan*'. The Best Council Plan also commits to '*promoting sustainable and inclusive economic growth*', focusing on '*maximising housing growth*'.

- 2.2 A report was presented to Scrutiny Board on 22nd July 2014 which covered the following areas of asset management related work:

- Asset Management Plan;
- Asset Rationalisation;
- Regeneration, Economic and Housing Growth;
- Partnership Working;
- The Retained Estate; and
- Organisational Arrangements.

3.0 Main issues

3.1 Asset Management Plan

- 3.1.1 A draft Asset Management Plan has been produced which has undergone a programme of consultation with the Corporate Leadership Team and senior leadership teams across all directorates. The attached version, at appendix 1, incorporates and addresses comments made throughout the consultation process.
- 3.1.2 The plan intends to provide a high level, strategic approach towards the use, management, acquisition and disposal of assets to enable the Council and its partners to deliver high quality services to the citizens of Leeds, stimulate regeneration and drive efficiencies in operating the Council's property estate.

3.1.3 The aims of the draft asset management plan are to:

- ensure that operational property is fit for purpose to deliver the Council's services and strategic priorities now, and in the future in the most efficient manner and to make strategic property acquisitions where necessary to assist service delivery;
- support regeneration across the city, including delivery of new housing and economic growth;
- to effectively manage underused, empty and derelict Council owned property, including listed and other traditional buildings;
- reduce the running costs of the Council's buildings by £5 million by 31/03/2017;
- increase the quality and size of the Council's investment portfolio, and generate additional revenue to support the Council's finances;
- promote the One Public Estate philosophy to ensure an efficient use of assets across the public estate; and
- work with the Third Sector, private and other partners to support, through asset related work, service delivery.

3.1.4 In respect of the revenue savings target of £5m, the current budget strategy for 2015/16 includes a target of £2m across the Council from asset rationalisation. This is now considered to be achievable and will include the savings from Merrion House as a result of it being unoccupied during its refurbishment period. In 2016/17 the initial budget strategy includes a further target saving of £2.5m. This will be more challenging to achieve as the larger asset revenue savings will be realised in 2017/18 and 2018/19 when the re-occupation of Merrion House will enable the rationalisation of significant office accommodation across the City.

3.1.5 The plan details 10 key areas of focus to achieve its aims, and therefore support successful delivery of the Best Council Plan. These are:

- Asset review and rationalisation;
- Office accommodation;
- Localities and Citizens@Leeds;
- Services and Directorates;
- Council projects and programmes;
- Working with partners;
- Making the Council's portfolio work better;
- Careful and planned disposal of property;

- Maintaining the retained estate; and
- Effective information management.

- 3.1.6 One of the main aspects of the plan is the change in approach to the 'ownership' of buildings. Historically directorates and services have had buildings 'vested' with them, which has often resulted in localised decisions being taken regarding use and occupation. Given the need to drive financial savings and ensure that property is occupied as efficiently as possible, it is now appropriate to bring a holistic view to enable appropriate strategic decisions to be made through a corporate landlord approach.
- 3.1.7 In moving to this more corporate centred approach to the asset management of property, a cultural change will be required, whereby managers and staff decouple the building from the specific service. There will, however, be instances where buildings are publically viewed as integral to the service on offer, for example the central library, the City Museum, the City Art Gallery, where a decoupling may not be wholly in the best interest of the property or service.
- 3.1.8 This shift in culture is in line with Best Council thinking; whereby services and all managers need to put council efficiency and 'spending money wisely' at the forefront of their service planning and use of space; whereby the greater benefit to the Council as a whole of asset related decisions to rationalise, share space and function under new ways of working is considered and accepted.
- 3.1.10 It is intended that a final draft of the Asset Management Plan will be submitted to Executive Board for approval in November 2014.

Items raised from the previous Board meeting

3.2 Surplus Buildings

A list of buildings which have been declared surplus to the Council is attached at appendix 2, along with an indication of future proposals/solutions for each. The list has been grouped into those properties which are currently under offer, being marketed, where future solutions are under consideration and where no future solution has been identified. What is clear from the list is that there are relatively few properties which are lacking a solution or likely to lack a solution for a prolonged period.

3.3 Buildings in communities that would be ideal for other opportunities

Scrutiny Board requested a list of buildings in communities that would be ideal for other opportunities but where directorates need assistance to progress. To review each building from the long list of locality property will require some time and as such it is suggested this be taken forward with Members, directorates and Locality

Support, over the coming months to identify which buildings may fall into this category.

3.4 Under Used Leased Buildings

Information relating to under used buildings leased by the Council to others with low revenue but which may be a valuable capital receipt was requested by Scrutiny Board. The Council has several hundred leased out buildings and to analyse each one would be difficult as limited information on the level of use would be held. As most will be under some form of commercial lease imposing a change without the consent of the tenant would prove challenging. Again, as per 3.3, it is proposed that further work to specifically review these buildings will be taken forward over coming months with Members and Locality Support.

3.5 Future Lease Policy

The draft Asset Management Plan details the Council's proposed future policy on 'leasing in' accommodation, setting out a 'default position' that no external leased-in space from third parties should be entered into. However, there may be specific cases where extenuating circumstances exist and in such instances individual business cases will need to be developed to prove service benefits or requirements that could not otherwise be met, to offset the rental liability.

In respect of the leasing out of Council property the 'default position' is to achieve full market rental value, unless an acceptable case, based on community or service benefit, can be made in which circumstance, a reduced rental maybe agreed.

3.6 Top Ten Properties to be marketed with a Planning Statement

The following sites and properties are considered to be the 'top ten' to be marketed by the Council with a planning statement:

- 1) Red Hall (Parks' nursery site) - extending to 28.5 hectares off Wetherby Road, a draft planning statement is being prepared in advance of the proposed relocation of the Parks & Countryside nursery and depot;
- 2) Eastmoor - the former children's secure unit and adjacent vacant reformatory site, extending to circa 3.25 hectares, to be brought to the market following practical completion of the replacement building and demolition of the existing unit, which is anticipated to be completed April 2015;
- 3) The Beckhills - a cleared 4.5 hectare former residential site. A report is to be submitted to Executive Board September 2014, seeking approval of the neighbourhood framework, which will support the marketing of the site in phases;
- 4) Holt Park District Centre – the proposed redevelopment of the district centre to provide retail and residential opportunities. A draft planning statement is

currently out for consultation with stakeholders, with a further report due to be submitted to Executive Board later this year, on completion of the consultation exercise, seeking adoption of the draft planning statement and approval to commence marketing the sites;

- 5) Bramham House - this is a grade 2 listed house with grounds extending to circa 4.5 hectares, it has been under offer a number of times and fallen through, the planning statement is currently being updated after which, the property will be placed back on the market;
- 6) Leonardo, Thoresby 2 and Great George Street - a draft planning statement is being prepared for these buildings and the land in between, to enable marketing to commence in the latter part of 2015 to minimise the amount of time the property will be lying vacant following the decant of staff back into Merrion House mid-2017;
- 7) Micklefield House – currently the site of the Aireborough One Stop Centre, which is soon to be vacated. A planning statement is nearing completion to guide alternative uses and redevelopment prior to marketing;
- 8) The former Leeds International Pool site - this has a planning brief which requires updating;
- 9) The former Matthew Murray school site – this extends to 19.84 acres and has been held as a strategic development opportunity; and
- 10) The Roundhay Road Social Services site - this extends to 1.82 hectares, and is to be vacated by December 2014, the planning statement is almost complete and marketing is anticipated to commence in the autumn.

3.7 Development of Brownfield Land Sites

- 3.7.1 The development of housing on previously used surplus land in Council ownership has an important role to play in delivering Best City ambitions to grow the city in a sustainable way and to deliver the housing growth requirements set out in the draft Core Strategy. The Council has established a Housing Investment Land Strategy (HILS), through which activities are being co-ordinated and managed through the Asset Management & Regeneration Division to bring forward Council owned brownfield sites with potential for development as market, social and affordable housing. Executive Board was provided with an update “Progress in Delivering Housing on Council Brownfield Land” at its meeting of 14th February 2014.
- 3.7.2 The Housing & Regeneration Scrutiny Board has maintained a focus on this work over the last two years, with a series of reports and updates being provided to it by officers and a comprehensive list of the Council’s brownfield sites and progress in disposing of or developing these being circulated to all members. The Housing &

Regeneration Scrutiny Board is due to receive a further update report at its meeting of 23rd September on the following activities in the HILS:

- Brownfield Land Programme (BLP) – Approved by Executive Board in January 2013, the BLP includes 32 sites (58ha in total) with an indicative total capacity of over 1200 homes. The programme now also includes those sites within the EASEL project. The majority of the sites are located in East or North East Leeds (20) and South Leeds (8) with a small number in West Leeds (4), where there is limited recent history of successful market development. The aim of the programme is to explore innovative and flexible and viable approaches to engaging market interests in development of sites, through packaged disposals and bespoke development partnerships, to deliver new mixed tenure housing in support of neighbourhood regeneration. Disposal of a mixed tenure 51 unit site in Gipton was completed in late 2013 and disposal of two sites in Seacroft is currently progressing, subject to planning permission for 140 new homes. Four sites are currently being marketed as a potential package in the Middleton area.
- Council House Growth and Affordable Housing Programmes – Further to a report to Executive Board in April 2014, the Council established a target to secure 800-1000 new affordable homes for the city through the 2015-18 Homes & Communities Agency's National Affordable Housing Programme (AHP). It submitted its own bids for grant to supplement the Council House New Build programme and engaged with Registered Provider (RP) partners to make Council land available in support of their bids for delivery of new homes using AHP grant. The council has been successful in securing funds to assist the delivery of 308 new build council properties across 11 council-owned brownfield sites in the city and an empty homes programme which will return 100 properties to use as council houses. Partners have been successful in securing grants to support the delivery of 129 new homes across 9 brownfield sites currently in Council ownership.
- Capital Receipts disposals – the Council has a programme of land sales that generate a capital receipt to support mainstream budgets as well as making land available to support housing growth. Surplus sites, often cleared of buildings, are marketed for sale with the benefit of planning guidance, technical and legal site information, usually through an open marketing approach that seeks the best value return. These are generally sites that have not been specifically allocated for Council housing or affordable housing and which are expected to be viable and attractive to mainstream developers. Recent examples of such sales include the 'New Forest Village' at Middleton and Walmer Grove at Pudsey.

- Self-build and Specialist housing – the Council is promoting self-build as a means through which some people will be able to build and own their own home, with 13 small sites identified with potential for 30 new homes. Two of these are under offer for sale and a further four are being marketed. Five remaining sites are currently being assessed for marketing in the autumn. The Council's brownfield sites are also considered in joint working with Registered Providers and Adult Social Care to provide opportunities for new older people's accommodation, where there are priority needs in the city.

3.8 Community Asset Transfers

3.8.1 There are relatively few requests for Community Asset Transfers (CAT). The Council is in discussions in respect of potential CATs for Drighlington Meeting Hall; the former Beeston Library; and Holbeck Youth Centre. Drighlington Meeting Hall should be subject to a formal request for a CAT in the near future, with the other two in the early stages of discussion with interested parties.

3.8.2 There is a suggestion to review the Council's policy on Community Asset Transfers. It is proposed that this would state the Council is open to the transfer of community assets, particularly in cases where:

- The project focusses on the empowerment, improvement and/or cohesion of a particular geographical community in Leeds;
- Where the asset has a negative net value or little capital value and could be used to further social wellbeing in Leeds;
- Where the asset is already mainly used for community purposes;
- Where there is potential for the third sector to raise funds to improve the asset to the benefit of the local community; and
- Where the asset is used to deliver community benefits, and will continue to be used for the same purpose but is a revenue liability on the council.

3.8.3 Transfer proposals will require a sound business case and will be considered against the opportunity cost of the potential capital value of the property. It should also be noted that in some cases a CAT is not necessarily the solution to address community needs, where this is the case the Council will work with communities to help them meet such needs in any of a variety of other ways through letting, shorter leases and using Community Right to Bid.

3.9 One Public Estate and Potential Health Campus Opportunity

3.9.1 Leeds has been confirmed as an authority to continue onto year two of the One Public Estate Pilot, and as previously reported has been asked to work alongside Bradford City Council to drive further cross public sector efficiencies across authority boundaries.

- 3.9.2 As part of the pilot some limited funding has been made available by the Cabinet Office to assist with resourcing the area of work. It is intended that the funding available will be used to cover a temporary officer post, for the period of 12 months, to support the development of proposals for a public sector campus on Leeds City Council land. At this point, with this additional officer, there is sufficient resource to progress early stage work on the concept of a public campus.
- 3.9.3 In respect of the potential health/government campus opportunity, it is proposed to establish some form of cross partner governance with the One Public Estate partners to explore and progress such propositions. A workshop is proposed in September 2014 with partners to explore the governance potential, discuss Terms of Reference and agree on how to progress

4.0 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Consultation on the draft Asset Management Plan has taken place with Corporate Leadership Team, as well as senior leadership teams across each directorate. The draft attached to this report reflects the outcomes of these discussions.
- 4.1.2 Regular engagement takes place with Members regarding general assets in their wards, as well as consultation on specific land and property issues as and when required.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 An EIA screening has been completed and is attached as an appendix 3.

4.3 Council policies and City Priorities

- 4.3.1 The Asset Review is being carried out in the context of the Best Council Business Plan, and specifically the performance target of 'significant reduction in the running costs of the asset base'.
- 4.3.2 Overarching the review programme will be the development of a Strategic Asset Management Plan, to be put to Executive Board in November 2014, which is a specified priority within the Best Council Plan.

4.4 Resources and value for money

- 4.4.1 In disposing of Council land and property best value is always sought, whether that be in monetary terms or delivering against Best Council objectives of supporting housing, regeneration or economic growth, or increasing provision of school places.
- 4.4.2 The recently restructured Asset Management & Regeneration Division, which includes Land and Property Services is leading on all element of property and land

disposal either on the open market or to achieve specific Best Council outcomes. This work is supported by colleagues from relevant services across the Council.

4.5 Legal Implications, Access to Information and Call In

4.5.1 None specific to this report.

4.6 Risk Management

4.6.1 There is a risk that the revenue savings target of £5 million may not be met over the next three years. If this is the case, it will become apparent within the next 6 months and then difficult decisions may need to be considered by Executive Members over which services may no longer be delivered by the Council, in order to cut running costs.

4.6.2 The alternative may be to consider a greater target which is capable of being achieved by over 4 to 5 years of £7.5 million. The majority of it will be achieved through the release of office buildings following the re-occupation of Merrion House subsequent to the completion of its refurbishment and new extension.

5.0 Conclusions

5.1 The draft asset management, as presented, will provide a strategic direction of travel and guide for how the Council will manage its properties and land over the next 3 years, underpinning Best Council outcomes of having fit for purpose assets, supporting regeneration, housing and economic growth, and ensuring school place provision.

5.2 There are relatively few surplus properties that are not actively having solutions for their future use either developed or delivered.

6.0 Recommendation

6.1 The Sustainable Economy and Culture Scrutiny Board is requested to:

i) note the contents of this report; and

ii) provide comments on the draft Asset Management Plan.

7.0 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.