

## Report of Director of City Development

### Report to Executive Board

**Date: 15 October 2014**

**Subject: Asset Management Plan**

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 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? If relevant, Access to Information Procedure Rule number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

### Summary of main issues

- Members will be aware of the significant financial challenges that the Council faces across all areas of its activity. The Council's land and property portfolio is a major resource that is integral to the delivery of many of the Council's services. The Council's portfolio, which extends to 9,700 hectares of land, is very diverse and includes community facilities, parks, depots, offices, libraries, sports centres and small industrial units in our investment portfolio and, in one way or another, impacts in the quality of life of every Leeds Citizen. Currently, the Council spends £40m per annum on its property portfolio and in the context of the Council's financial challenges, careful consideration and review is needed to ensure that our land and property assets are fully contributing to the Council's objectives and the on-going economic, social and cultural development of Leeds.
- The Asset Management Plan has been prepared in this context and in line with the Best Council Plan 2013-17 objective of becoming '*a more efficient and enterprising council*' through '*improving how we're organised and making the best use of our assets.*'
- It covers the period 2014- 2017 and includes the current budget savings target of £4.5m revenue savings on the cost of operating council assets through an asset rationalisation programme. The plan incorporates the main ambitions of the Council in relation to its assets:
  - ensuring the estate is fit for purpose, in the right place for public service and efficiently run;

- rationalising the estate to make budget savings, and developing partnerships with other public bodies and the third sector to share assets for the public good;
- using our assets to support economic growth, housing growth, and regeneration; including where possible partnerships with community organisations to make better use of important assets locally through social enterprise; and
- using our assets to provide the Council with an additional income stream to support service delivery.

## **Recommendations**

4 Executive Board is recommended to:

- (i) approve the Asset Management Plan;
- (ii) note the implementation timescale for the plan is 2014- 2017; and
- (iii) note the Head of Asset Management is responsible for implementation of the plan.

## **1 Purpose of this Report**

1.1 To seek Executive Board approval of the Asset Management Plan as presented at Appendix 1.

## **2 Background Information**

2.1 The Council's property portfolio extends to some 9,700 hectares of land and approximately 59,000 properties (including the Council house and school portfolios) valued in the region of £8bn. It includes major heritage assets such as the Town Hall and Temple Newsam Estate, unique venues such as the Arena together with community facilities, parks, depots, offices, libraries, sports centres and small industrial units in our investment portfolio. A significant proportion of the Council's assets support Council service delivery in localities or in the city centre and have been acquired, vested, bequeathed or purchased over many years. The Council spends c£40m a year maintaining and running its General Fund estate.

2.2 The purpose of the Asset Management Plan is to ensure that the Council has a clear overview of its property portfolio; how it works to support service delivery, regeneration or revenue budgets; and what changes are required to ensure that the Council's assets are fit for purpose and efficient. This is particularly important in the context of the significant and ongoing budget pressures that the Council has been under over the past six years.

2.3 The Asset Management Plan has been prepared in line with the Best Council Plan 2013-17 objective becoming '*a more efficient and enterprising council*' through '*improving how we're organised and making the best use of our assets.*'

- 2.4 In addition to ensuring that the Council's estate is efficient in terms of cost and carbon use, the Asset Management Plan includes a stronger emphasis on the Council's property portfolio as a generator of income to support the Council's revenue budget. In this context, the plan includes scope to acquire strategic assets which will grow in capital value over the years and produce an annual income the Council.
- 2.5 The Council has already undertaken significant rationalisation of its assets, resulting in over £6.5m revenue savings to date and which has generated capital receipts over the last 3 years of £27m, with a further potential £66m identified over the next 5 years. A number of dated and difficult properties have been improved or demolished as part of the linked derelict and Nuisance Properties Programme. Council services have all committed to sharing assets and to identifying and reducing surplus space, with a further 56 properties identified for vacation over the next 4 years to achieve savings in excess of the current £4.5m target, in particular through the review of city centre office accommodation and the joint venture with TCS to refurbish Merrion House with the Council taking 50% ownership of the asset. As part of this the Council has played a major role in the Government's One Public Estate programme, and part of the ambition of the Asset management Plan is to increasingly share assets across the public estate.
- 2.6 The Council's land assets have also been used very effectively to support new and growing regeneration priorities, including for example older people's housing and affordable housing, in particular on brownfield sites. In addition a number of sites are now in the process of development to support the economic and cultural growth of the City including John Lewis at the extended Victoria Quarter and Sovereign Square commercial development and green space.
- 2.7 The Council has supported community use of assets over many years with a range of community centres being run through management committees, or assets having been transferred to third sector organisations to support their important work locally. Additionally and more recently, the Council has taken forward a number of community asset transfers, which have secured the future of locally important assets which the Council has no longer any use for or is not in a position to continue to pay for in light of service needs and significant budget pressures.
- 2.8 The strategic review of the use and occupation of land and property is being delivered through a One Council approach. Decisions to stay, leave or share property are being taken jointly and in the context of the budget situation and the ambition to deliver better more joined up services locality through the Citizens@Leeds 'community hub' programme.
- 2.9 The plan has been subject to consultation with Executive Members for Transport & the Economy, and Neighbourhoods, Planning & Personnel, as well as the Sustainable Economy & Culture Scrutiny Board. In addition, Ward Members have been involved in work to consider the local estate.
- 2.10 The Asset Management Plan has been prepared in line with the Best Council Plan 2013-17 objective of becoming '*a more efficient and enterprising council*' through '*improving how we're organised and making the best use of our assets.*' '

- 2.11 Schools, council housing and highways assets are excluded from the scope of the asset management plan.

### **3 Main Issues**

#### Asset Management Plan

- 3.1 The Asset Management Plan is at Appendix 1 for Executive Board consideration. Consultation has taken place with the Executive Members for Transport & the Economy and Neighbourhoods, Planning & Personnel, as well as the Sustainable Economy and Culture Scrutiny Board whose comments are attached at Appendix 2.
- 3.2 The Asset Management Plan provides a strategic overview of the approach to 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, and to support Leeds' economic and housing growth ambitions.
- 3.3 Good asset management underpins a wide range of service activity across the Council, whether front facing delivery or back office functions. Land and property play a vital, yet potentially understated role in supporting the achievement of Council priorities.
- 3.4 This plan aims to facilitate better and more efficient use of Council property and to make use of the Council's current and future assets to contribute to tackling the revenue challenges currently facing the Council. It sets out the ambition to maximise both the quality and quantity of income across the investment portfolio, and where appropriate generate revenue/capital receipts from the Council's operational land and buildings.
- 3.5 The proposed Asset Management Plan sets out how the Council's assets can be used to support regeneration, including delivery of new housing and economic growth through use of the Council's buildings and its land, in particular its brownfield land portfolio.
- 3.6 In addition the Council's property portfolio includes a number of underused, empty and derelict properties. Some of these form part of a the Derelict & Nuisance property programme and will be dealt with over the course of the plan as part of that programme, and the future of any others will be reviewed to ensure that the Council is not holding for the long term, buildings which are not fit for purpose and are in a poor state.
- 3.7 The Council owns a range of special and listed buildings and needs to make arrangements for these to be kept in good condition and well used, or find solutions which secure their future either as public assets or to support economic growth. Examples include the project to refurbish the Town Hall through grant, and the project to improve Kirkgate Market.
- 3.8 Two strands of the asset management plan are driven by the Council's need to address major revenue shortage:-
- (i) the budget requirement to reduce the running costs of the Council's buildings by £4.5m by 2017, and a stretched target within the plan to reduce costs by, in total £7.75m by March 2019 following the completion of Merrion House refurbishment and a further rationalisation of the Council's existing office

accommodation. In addition the plan sets out a target to decrease in locality office accommodation of 10% (7 buildings) by March 2017, but continuing to support locality provision through the 'community hub' programme being developed by Citizens@Leeds, with a plan to roll-out further hubs by 2017.

- (ii) to increase the quality and size of the Council's investment portfolio. This includes targeted acquisitions where supported by a strong business case, but also some rationalisation of the existing commercial and investment portfolio, and taking decisions about properties which do not generate sufficient income or are wasteful of management resources.

- 3.9 The Council has a history of working with other public services and the third sector to deliver services and better lives for people in Leeds. Over time this has included agreements over use of land and property, illustrated by the work that Adult Social Care has carried out with the health service to bring together care services through the Integrated Health & Social Care Programme; and the joint service centre approach. The Council is part of the Government's One Public Estate Programme and the Asset Management Plan aims to promote the One Public Estate philosophy to ensure an efficient use of assets across the public estate.
- 3.10 The plan aims to facilitate work with the third sector and social enterprise where they may be better placed to take responsibility for assets to support local service delivery and growth, and where possible transfer running costs from the Council. This could be through a range of mechanisms including Community Asset Transfer, as has already been achieved at Bramley Baths, Middleton Tenants Hall and Headingley Primary School. These routes to alternative ownership of community based assets can enable the third sector to run deliver local services and much needed community infrastructure to support growth and social enterprise at a local level.
- 3.11 The plan embeds a change in approach to the use of buildings, in the context of what is most efficient for the Council as a whole. Historically, directorates and services have buildings and land 'vested' with them, which has often resulted in localised decisions being taken regarding occupation and future use. Given the need to drive financial savings, and ensure the most efficient use of land and property, it is proposed that asset management be delivered through a One Council approach, ensuring the Council's assets are considered holistically and used to best effect to achieve the Council's service, growth and budgetary goals.
- 3.12 The move to a One Council approach to asset management embeds the principles in all services and for all managers to put efficiency and spending money wisely at the centre of their service planning about the use of space. The benefits of the One Council approach are that it enables better:
- support to wider organisational objectives and priorities;
  - use of assets and resources;
  - informing of strategic decision making; and
  - equity across all services.

- 3.13 If approved the move to a One Council approach would take place for the 2015/16 financial year with the transfer of appropriate budgets following discussion with directorates and finance teams.
- 3.14 Delivery of the plan and objectives will be led by Asset Management, but is very much a cross Council activity working in partnership with external services and stakeholders.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 The Executive Members for Transport and the Economy, and Neighbourhoods, Planning and Support Services have both been consulted on the Asset Management Plan.
- 4.1.2 A series of ward based Member briefings took place over summer 2014, with discussion centred on asset rationalisation opportunities within each ward which links to the asset review and rationalisation element of the asset management plan.
- 4.1.3 The plan was presented to the Sustainable Economy and Culture Scrutiny Board, on 9<sup>th</sup> September 2014, as part of their recent inquiry into Asset Management. Scrutiny Board's comments are attached at Appendix 2.
- 4.1.4 Consultation on the plan has also taken place with Corporate Leadership Team, as well as senior leadership teams across each directorate. The attached plan reflects the outcomes of these consultations.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 An Equality, Diversity, Cohesion and Integration impact assessment has been completed and is attached at Appendix 3.
- 4.2.2 The implementation of the plan will impact various communities and neighbourhoods across the city, and equality, diversity, cohesion and integration will be a factor in a range of resulting decisions concerning assets.
- 4.2.3 As the Asset Management Plan provides a high level, strategic direction of travel for the Council's future approach to use of its assets there are no specific EDCI considerations at this point. As projects and programmes are developed and delivered each will need to take responsibility for ensuring EDCI screening, assessment and compliance as appropriate.
- 4.2.4 The individual project EDCI considerations should give regard to ensuring open and clear communication with impacted stakeholders.

### **4.3 Council Policies and City Priorities**

- 4.3.1 The Best Council Plan 2013/17, prior to a 2014 refresh had as one of its objectives the development of an Asset Management Plan.

4.3.2 The plan has at its core a range of objectives and priorities of the Best Council Plan, including:

- Being a more efficient and enterprising council;
- Reduce the cost of our property assets;
- Review the operational portfolio and optimise the investment portfolio;
- Promoting sustainable and inclusive economic growth; and
- Maximising housing growth.

4.3.3 In addition the plan sets out to support the delivery of a range of Council wide programmes to achieve city priorities, including;

- Joining up health and social care services;
- Ensuring sufficiency of school places; and
- Providing accessible and integrated services.

#### **4.4 Resources and Value for Money**

4.4.1 The Council's Budget Strategy has an asset savings target of £4.5m (revenue) to be achieved by the March 2017. Beyond this there will be future savings realised, of up to £4.5m, through the re-occupation of Merrion House, allowing the rationalisation of a significant amount of current Council office accommodation.

4.4.2 The asset review programme will ensure that wherever possible and appropriate spare sharing opportunities are maximised which will generate revenue savings through co-location.

4.4.3 In order to take forward the asset management work the Asset Management Service is currently being re-established through a restructure under the Chief Asset Management & Regeneration Officer.

4.4.4 Where assets are to be retained over the medium to long term opportunities to generate or increase revenue income will be explored.

#### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 Legal Services has advised about the proposed move to a One Council approach. The process of moving to a One Council approach does not give rise to any legal implications, or require changes to the Council's scheme of delegation.

#### **4.6 Risk Management**

4.6.1 The risk that the programmes of work directed and supported by the asset management plan do not deliver against the targeted revenue savings, will be

mitigated through close project and resource management through Asset Management.

- 4.6.2 An asset management guide will provide comprehensive information on decision making processes and service related asset issues/matters that may arise to ensure that decisions are taken at a strategic level where appropriate.

## **5 Conclusions**

- 5.1 The Asset Management Plan details the strategic approach for the use and rationalisation of Council assets over the next 3 years.
- 5.2 The plan will contribute towards achievement of the Council's current budget strategy by reducing running cost savings and increasing income generated through land and property. Further to this there will be significant asset savings achieved outside of the current budget strategy period (2017/18 onwards) following the refurbishment of Merrion House, allowing the release and disposal of several city centre office buildings.
- 5.3 Work to deliver the objectives of the Asset Management Plan will include supporting asset elements of Council wide projects and programmes such as Integrated Health & Social Care, Citizens@Leeds and Better Business Management.
- 5.4 Adoption of a One Council approach to asset management will enable decision making on a strategic level, where relevant, so maximum efficiency can be achieved from the property portfolio.

## **6 Recommendations**

- 6.1 Executive Board is recommended to:
- (i) approve the Asset Management Plan;
  - (ii) note the implementation timescale for the plan is 2014- 2017; and
  - (iii) note the Head of Asset Management is responsible for implementation of the plan.

## **7 Background documents<sup>1</sup>**

- 7.1 None.

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<sup>1</sup> 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.