

**Report of the Director of City Development**

**Report to the Sustainable Economy & Culture Scrutiny Board**

**Date: 17<sup>th</sup> March 2015**

**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**

1. The Council is on target to achieve £1.1m asset savings in 2014/15.
2. Over the next 2 financial years (up to March 2017) the Council has identified up to £4.5m asset savings to achieve the target set as by the Budget Review.
3. The Merrion House decant programme has been successfully delivered without the requirement for any new city centre 'leased in' accommodation.
4. The office rationalisation programme is progressing to maximise occupancy capacity in Council owned buildings, therefore reducing 'leased in' office accommodation.
5. The Council is working towards creating a 'Grade A' balanced investment portfolio to provide a long term secure income stream utilising the Council's 'Prudential Borrowing' powers to generate surplus and increasing revenues to assist with the Council's budget pressures.
6. Recommendation

The Sustainable Economy and Culture Scrutiny Board is requested to note the contents of the report.

## **1.0 Purpose of this report**

- 1.1 The purpose of this report is to update Scrutiny Board on the progress of the asset management rationalisation programme as requested at the Board's meeting of 9<sup>th</sup> September 2014.

## **2.0 Background information**

- 2.1 Reports were presented to Scrutiny Board on 22<sup>nd</sup> July 2014 and the 9<sup>th</sup> September 2014 which provided a summary and update of the asset management related work.
- 2.2 On 9<sup>th</sup> September 2014 Scrutiny Board was asked to provide comments on the draft Asset Management Plan.

## **3.0 Main issues**

### **3.1 Asset Management Plan**

- 3.1.1 Following extensive consultation the Asset Management Plan 2014-2017 was approved by Executive Board on the 15<sup>th</sup> October 2014.
- 3.1.2 To support achievement of the objectives set in the Asset Management Plan, including to make better use of the retained estate, a handbook has been produced intended as a quick reference guide for services and staff to ensure that proper processes and decision making are followed when considering and undertaking asset related change. A copy of the draft handbook is attached at appendix 1.

### **3.2 Financial Savings**

- 3.2.1 The asset review programme was set up as part of Budget Plus to identify opportunities to reduce the amount of money the Council spends on its assets by £5m over the 4 year period 2013/14 to 2016/17. A significant amount of work has been undertaken to identify potential asset savings of up to £6.1m within this period.
- 3.2.2 The Council's Medium Term Financial Plan has recently been updated and now has a revised asset savings target of £4.5m over the next 2 financial years (up to March 2017). £4.7m over this period has already been identified.
- 3.2.3 The table below breakdowns the cost savings achieved or identified, as at March 2015, for the 4 year period 2013/14 to 2016/17.

	<b>cashable</b>	<b>non-cashable</b>	<b>Total</b>
Savings achieved 2013/14	£0	£418,000	£418,000
Savings identified 2014/15	£40,000	£1,137,200	£1,177,200
Total net savings already assumed in service budgets			<b>£1,595,200</b>
Savings identified 2015/16	£2,369,000	£720,000	£3,089,000
Savings identified 2016/17	£1,441,000	£39,000	£1,480,000
Total savings 2015/16 and 2016/17	£3,810,000	£759,000	<b>£4,569,000</b>
Deliverable by March 2017 (includes a one off saving of £1.5m from Merrion House being temporarily vacated)			<b>£6,164,200</b>
Deliverable 2017/18 and 2018/19			£4,300,000
<b>Total</b> (Net of the Merrion House £1.5m saving)			<b>£8,964,200</b>

### 3.3 Asset Rationalisation

#### 3.3.1 Merrion House and city centre accommodation

The first stage of Changing the Workplace (CtW) phase 1, which is nearing completion, has seen over 1,600 staff go through New Ways of Working (NWoW), reducing the Council's traditional 1:1 'staff to desk' ratio to 7:10, enabling the decant of Merrion House to allow for its refurbishment, and the rationalisation of the city centre office accommodation estate.

The second stage of CtW phase 1 is due to commence from April 2015, which will see a further 2,000+ staff taken through NWoW by March 2018. Running in parallel with this will be a programme of works to ensure that the city centre retained office accommodation is fit for purpose and supports NWoW. The buildings to be retained and in scope for office accommodation in the city centre, excluding Merrion House, are:

- Civic Hall;
- St George's House; and
- Enterprise House.

To accommodate all city centre based staff within these retained office buildings there is a requirement for them all to be operating on CtW space and desk sharing

standards. Projects to deliver the necessary works across these buildings are currently in development or delivery.

This will result in the surrender of five 'leased in' buildings which were identified as part of the original Merrion House refurbishment business case. These being:

- Belgrave House
- Tribeca House
- Evolution House
- Landmark Court (units 5 & 7)
- Westgate House

Further to the above, refreshed data suggests that an additional three 'leased-in' buildings could be released due to the anticipated capacity of the city centre retained estate these are:

- Navigation House
- Westfield Chambers
- Westfield House

### 3.3.2 Leased in buildings

The Council's default position on 'leased in' properties is that no leases will be renewed except in exceptional circumstances. Every opportunity to exercise break clauses prior to lease expiries will be explored. A list of the 'leased in' office buildings highlighting their expiry dates is attached at appendix 2.

Asset Management are proactively working to source accommodation solutions for services operating from 'leased in' buildings to ensure that break clauses will be exercised and lease expiries met. Progress has already been made to significantly reduce the number of 'leased in' buildings across the city, and specifically within the city centre where 5 properties have already been released and staff relocated within the Council's owned building portfolio.

### 3.3.3 Office Rationalisation

Work is continuing to progress on the office accommodation rationalisation programme. An update is provided below on the projects which have completed in the past 6 months and those due for completion in the next 3-6 months:

- **Kernel House** – The refurbishment of the site completed in December 2014. Children's Services staff relocated from 79 Roundhay Road before Christmas. The building is fully operational and at occupancy capacity (circa 185 staff).
- **Tribeca House** – The remaining vacant 2 floors are currently being refurbished and are due to be occupied with staff from Children's Services and Adult Social

Care by the end of March 2015 to assist with the Merrion House decant. Once complete Tribeca House will be at occupancy capacity (circa 229 staff).

- **Shire View** – The refurbishment of the site is complete. Adult Social Care staff are due to relocate to Shire View from White Rose House and Woodhouse Health Centre by the end of March 2015. This will enable the surrender of the lease at White Rose House and release space for Children’s Services (ISU) at Woodhouse Health Centre to assist with Merrion House decant programme (circa 99 staff).
- **White Rose House** – Adult Social Care staff will relocate to Pudsey Town Hall and Children’s Service staff to Shire View within the next 3 months to enable the surrender of the White Rose House lease.
- **Unit 19 Limewood Road** – Leeds Housing Construction staff will relocate to Seacroft Ring Road depot within the next 3 months. The relevant dilapidation and re-instatement works will be undertaken to allow the surrender of the lease.
- **Unit 1 Acorn Business Park** – The current lease expired in November 2014 and the Council is temporarily holding over until suitable accommodation is found for the occupying services, Adult Social Care and the NHS Joint Care Management Team. Work is ongoing to resolve the situation and find a solution for their requirements.
- **Former Roundhay Road Social Services Site** – This property is vacant. It will be transferred into void management from the 1<sup>st</sup> March 2015 for partial demolition and progression of plans for its future use are underway.
- **Pudsey Town Hall** – Adult Social Care has confirmed the numbers of staff in scope to relocate to Pudsey Town Hall, including the West North West Integrated Health Teams. The project is also linked to the securing of vacant possession and disposal of Micklefield House, Rawdon.
- **Micklefield House** – This building will be vacant July 2015 and is to be marketed in the near future.

In addition to the above properties a further 7 properties on the short term lifespan accommodation list have been declared surplus by services and are now in void management.

A list of all Council buildings closed over the past two financial years is attached to this report at appendix 3.

#### 3.3.4 Community Centres

In November 2014 Executive Board approved the proposal to start consultation on the future of 10 community centres across the city. Led by Citizens and Communities, the 12 week consultation period is due to complete at the end of February 2015. The aim is to provide Executive Board with a follow up report recommending whether the centres should be subject to closure, asset transfer or capital investment. The 10 community centres are:

- St Gabriel's Community Centre, East Ardsley
- Bramley Community Centre, Bramley
- Old Cockburn Sports Hall, Hunslet
- Kippax Youth Centre, Kippax
- Gildersome Youth Club, Gildersome
- Lewisham Park Centre, Morley
- Weston Lane Community Centre, Otley
- Windmill Youth Centre, Rothwell
- Fieldhead Youth and Adult Centre, Whinmoor
- Meanwood Community Centre, Meanwood

### **3.4 Community Hubs**

3.4.1 Following the successful launch of the phase 1 Community Hubs in April 2014 at the Compton Centre, Harehills, St George's Centre, Middleton and Armley One Stop Centre phase 2 plans are currently underway. The proposed phase 2 sites are:

- Dewsbury Road One Stop Centre
- Morley Town Hall
- Horsforth Brownlee Centre
- Osmondthorpe One Stop Centre
- Bramley
- Yeadon Library

3.4.2 The Community Hubs will see the consolidation of Customer Services, Libraries, Jobshops (Employment & Skills) and Housing Leeds 'front of house' staff as a primary offer.

3.4.3 On the 15<sup>th</sup> October 2014 a report was presented to Executive Board. Approval was given for a city-wide Community Hub model, with a network based approach. Executive Board also approved a single front of house delivery team for the Community Hubs to be made up from existing front of house staff in Customer Services, Libraries, Housing Leeds and Employment & Skills. The workforce arrangements will now be taken forward by the Assistant Chief Executive (Citizens and Communities).

### **3.5 One Public Estate (OPE)**

3.5.1 Government Campus

Cabinet Office, through the Government Property Unit (GPU) is considering a move towards a limited number of regional bases, including Leeds, which would see the creation of a government hub site within the city. The Council is currently appraising a number of sites in city which could potentially meet the requirements of GPU.

### 3.5.2 Space sharing with public sector partners

Opportunities are being explored with public sector partners to share space within buildings across organisational portfolios, including Neighbourhood Police Teams having bases within Community Hubs. Specific discussions are taking place with both the Police and Fire Service about significant surplus space both organisations have across their estate, due to restructuring and changes in service delivery, in terms of how this could be utilised by partners to alleviate current and future accommodation pressures.

### 3.5.3 Integrated Health and Social Care

Significant progress has been made in identifying accommodation solutions for the majority of the 13 new Joint Care Management Teams which will bring together approximately 900 staff from across Leeds City Council and Leeds Community Health (LCH). Two sites have already gone 'live', these being Horsforth and Morley, both utilising LCH buildings. Further sites are planned to be delivered on a rolling programme over the coming months.

## **3.6 Council Investment Portfolio**

3.6.1 The Council has a significant asset investment portfolio made up of 829 properties which is currently valued at a capital value circa £90 million which generates an annual income of circa £7.7m per annum. The majority of the portfolio is made up of small/low value properties to tenants with poor financial covenant strength.

3.6.2 The proposal is to build on these investments and reverse the current balance of holdings to have a smaller number of substantial well let properties on long leases to good quality tenants to not only underpin the Council's revenues but also provide strategic land holdings to shape the city's future in the longer term.

3.6.3 The intention is to create a 'Grade A' balanced investment portfolio to provide a long term secure income stream utilising the Council's Prudential Borrowing powers to generate surplus and increasing revenues to assist with the Council's budget pressures. In addition, the Council can use this leverage to stimulate regeneration, bridge the funding gap where the commercial market may be unable to secure funding for speculative development and consolidate its landholdings where appropriate.

3.6.4 The First Direct Arena is one of a number of recent investments made that will increase annual income from the portfolio. Other potential and recently acquired Grade A investments include:

**Merrion House** – As part of the rationalisation of city centre office accommodation for Council staff, an agreement has been completed for the Council to acquire a 50% holding in the Limited Liability Partnership which will own the new Merrion House following its refurbishment and extension, which will decrease the rent payable and add to the Council's property portfolio.

**Harper Street Car Park** – This acquisition completed in December 2014. The car park is located in a strategically important location next to Kirkgate Market and the nearby Victoria Gate development and by purchasing the head leasehold interest in land which the Council already holds the freehold has allowed the Council to strengthen its influence in the area. The car park also generates a significant surplus rental income, which could accrue to £10 million over the length of the NCP lease.

**Enterprise Zone large industrial units** – The Council's commitment to purchase these units should they be unlet following practical completion will stimulate employment opportunities within the Aire Valley Leeds Enterprise Zone, as well as adding good quality property well located to the investment portfolio.

**Leodis Court** – This light industrial estate occupies a strategically important location in Holbeck Urban Village, being adjacent to the Round Foundry Media Centre and directly opposite Temple Mill. The Council purchased the freehold in April 2014 which gives the Council control over the future direction of the site in the long term, while in the short term providing yearly rental income.

### 3.7 Community Asset Transfers

3.7.1 There are relatively few requests for Community Asset Transfers (CATs). 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 is the subject of a formal request for a CAT, with the other two in the early stages of discussion with interested parties.

3.7.2 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.

3.7.3 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.

## **4.0 Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.1 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 Equality Impact Assessment's will be undertaken for each project as they progress and business cases are produced for their development

### **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 is the Asset Management Plan 2014-2017, which set its objectives in the context of 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 revised revenue savings target of £4.5 million may not be met over the next 2 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.

## **5.0 Conclusions**

5.1 Work continues to be prioritised and progressed on the asset rationalisation programme. The priority focus is to surrender all 'leased in' accommodation by the lease expiries and exercise any lease break clauses.

5.2 Strategic Asset Management is actively involved in corporate projects and programmes such as Community Hubs, Better Business Management, Integrated Health & Social Care and the Community Centres Review to ensure that the best asset solutions are identified and delivered.

5.3 Close working continues with both public and third sector partners to explore opportunities for making better use of assets across organisational boundaries, to maximise efficiencies and reduce costs for the public purse.

5.4 The Council will continue to source investment opportunities to expand its accommodation portfolio to maximise income/ rental generation.

## **6.0 Recommendation**

6.1 The Sustainable Economy and Culture Scrutiny Board is requested to note the contents of this report.

## **7.0 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.