



Report of Director of City Development

Report to Executive Board

Date: 8th February 2017

Subject: Design and Cost Report for Acquisition of Unit 5 Landmark Court for Council Accommodation

Capital scheme number: 32664

Are specific electoral wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of ward(s): Beeston & Holbeck		
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: 1		

Summary of main issues

1. This report is put forward in the context of the Best Council Plan 2015-20 (2016-17 update), specifically the ambition of being '*an efficient and enterprising organisation*'. Through acquisition of a council occupied building a net revenue saving will be achieved, helping to contribute towards the council's Medium Term Financial Plan and the need to reduce revenue expenditure.
2. One of the key objectives of the Asset Management service is make the council's estate more efficient through consolidation and reducing the number of leased-in buildings, whilst supporting services to deliver service continuity or improvements. Asset Management has delivered a reduction in spend on council occupied property by nearly £5m since 2013/14.
3. It is proposed to acquire Unit 5 Landmark Court, a detached office building which the council currently leases-in. Asset Management has been considering future accommodation options for the occupying services of the building due to an upcoming lease break opportunity. When the Landmark Court Business Park as a whole was recently put on the market for sale, a business case was developed to acquire unit 5 in isolation based on delivery of revenue savings to the council.

Recommendations

4. Executive Board is recommended to:

- i) Note the contents of the report, and specifically the progress made to deliver revenue savings through asset rationalisation;
- ii) Approve the acquisition of Unit 5 Landmark Court on the terms identified in confidential appendix 1;
- 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 1 into the Capital Programme and give authority to spend the monies as required; and
- v) Note that the Head of Land and Property is responsible for the implementation of proposed acquisition.

1 Purpose of this report

- 1.1 The purpose of this report is to seek Executive Board approval to the acquisition of Unit 5 Landmark Court to deliver revenue savings to contribute towards the council's Medium Term Financial Plan.

2 Background information

- 2.1 Given the significant budget pressures faced by the Council a programme of asset rationalisation has been actively pursued since 2013/14 which will have delivered nearly £5m of revenue savings by March 2017. One of the main areas of focus for the rationalisation programme has been, wherever possible, to come out of leased-in buildings.
- 2.2 Executive Board has previously considered reports in respect of the asset review in July 2013 and October 2014 as part of the report seeking approval of the Council's Asset Management Plan. These reports outlined the need to improve the efficiency of our property portfolio through a programme of selective rationalisation and maximising occupation of the retained estate. As part of these reports Executive Board noted the principles of good asset management, this proposal has been brought forward in light of these principles and links together two elements which are:
 - The release of 'leased-in' accommodation; and
 - Having Council staff in good quality accommodation which is fit for purpose, in the appropriate location and meets the needs of services and customers.
- 2.3 Further to the above the Asset Management Plan 2014-17, approved by Executive Board in October 2014, sets out ten main areas of focus, specifically relevant to the proposal outlined in this report are:
 - Asset review and rationalisation; and
 - Making the Council's portfolio work better.

3 Main issues

- 3.1 Unit 5 Landmark Court was originally leased by one of the ALMOs but was handed over to Corporate Property Management when no longer required, following restructuring of the city's Housing Management function. The building currently provides service delivery space on the ground floor for the council's in-house Occupational Therapy service, and office accommodation to the first floor for the Anti-Social Behaviour (West) team.
- 3.2 The building sits within a wider business park of 7 units of various sizes, it extends to 4,089 square feet, over two floors, with a ground floor entrance and 15 designated parking bays. A site plan of unit 5 is attached at appendix 2.
- 3.3 The lease on unit 5 is due to expire in October 2023, however there is a lease break in October 2017, Asset Management has therefore been considering options for relocation of the occupying services in order to exercise this break opportunity.

- 3.4 Occupation Health has specific and necessary accommodation requirements which include a reception and waiting area, individual and soundproofed consulting rooms, and a discrete location. A number of alternative options have been considered for the service, however none have been considered suitable due to not being able to fully meet the service's requirements, and also the cost of delivering the internal fit out needed.
- 3.5 The Anti-Social Behaviour (West) Team is based off patch at Landmark Court, and so Asset Management has been working with the team to find alternative accommodation in the west locality, rather than the south where Landmark Court is. A suitable building has been identified for the team, which is currently undergoing minor works to make ready for their occupation in February 2017.
- 3.6 If the council were to acquire unit 5 another team, which has already been identified would move into the first floor office space.
- 3.7 Given there are currently no suitable alternatives for accommodating Occupational Health the options open to the council are to either continue with the lease until expiry in 2023, or acquire the building. The financial implications of acquiring unit 5 are detailed in the confidential appendix 1 to this report.
- 3.8 In late 2016 the Landmark Court Business Park, as a whole, was put on the market for sale. Following this discussion took place with the owner as to whether unit 5 could be acquired by the council in isolation. The owner is agreeable to disposal of the building, along with 15 associated parking bays on the terms outlined in confidential appendix 1.
- 3.9 By acquiring unit 5 the council, as well as realising an immediate net revenue saving will also forego the cost of dilapidations, which it would be liable for prior to hand-back to the landlord. It is estimated this could be in the region of £50,000.

4 Corporate considerations

4.1 Consultation and engagement

- 4.1.1 The Executive Member for Regeneration, Transport & Planning has been consulted on the acquisition and is supportive of the proposal.
- 4.1.2 The Deputy Chief Executive (currently responsible for Occupational Health) and Director of Environment & Housing (who will be responsible for Occupational Health from April 2017) have both been consulted and are supportive.
- 4.1.3 The proposed acquisitions have been supported by the Finance Performance Group, chaired by the Deputy Chief Executive.
- 4.1.4 Asset Management Board has been consulted and is supportive of the proposal.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 An equality screening exercise has been carried out and the outcome is a full impact assessment is not required as there are no impacts on equality for the approvals requested. The screening document is attached at appendix 3.

4.3 Council policies and the best council plan

- 4.3.1 The proposed acquisition supports the Best Council Plan 2015-20 (2016-17 update) ambition of Leeds City Council being *'an efficient and enterprising council'*.
- 4.3.2 The proposal also supports the Council's value of spending money wisely, through the release of leased-in buildings and the generation of revenue savings.
- 4.3.3 The proposed acquisition will also contribute towards the Council's aim of having a modern and fit for purpose estate, as per the Asset Management Plan 2014-17, with office space occupied on Changing the Workplace principles.

4.4 Resources and value for money

- 4.4.1 Details of the proposed acquisition costs are provided in confidential appendix 1.
- 4.4.2 The net position on the proposed acquisition would be to generate a revenue savings to the council, as detailed in the confidential appendix, which will contribute towards the challenging savings targets needed to be met over the next 3 years, as detailed in the Medium Term Financial Plan.

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 1 attached to this report relates to the financial or business affairs of a particular 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 Land and Property confirms that in his opinion the figure offered is a fair market value for this leasehold interest.

4.6 Risk management

- 4.6.1 Should the proposed acquisition of Unit 5 Landmark Court not proceed then the council will have no choice but to continue to lease-in the building, and therefore carry the current rental liability until October 2023.
- 4.6.2 There is a risk that Occupational Health service delivery model may change in the future, however following discussion with senior officers reassurance has been provided that there is no current intention to alter how the service is delivered.
- 4.6.3 Should the acquisition go ahead and at some point in the future the site wholly, or in part, become vacant then the council can look to consolidate further its estate by moving staff from other buildings into unit 5, potentially rationalising elsewhere.

5 Conclusions

- 5.1 The proposed acquisition will deliver a net revenue saving as detailed in confidential appendix 1.
- 5.2 If the acquisition were to not go ahead the council would be tied into the current rent liability on the building until October 2023.
- 5.3 By acquiring the building the council will forego dilapidations costs prior to hand-back, estimated at c.£50,000.
- 5.4 The first floor office accommodation will be occupied on Changing the Workplace principles, ensuring the space is used to maximum efficiency.

6 Recommendations

- 6.1 Executive Board is recommended to:
 - i. Note the contents of the report, and specifically the progress made to deliver revenue savings through asset rationalisation;
 - ii. Approve the acquisition of Unit 5 Landmark Court on the terms identified in confidential appendix 1;
 - 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 1 into the Capital Programme and give authority to spend the monies as required; and
 - v. Note that the Head of Land and Property is responsible for the implementation of proposed acquisition.

7 Background documents¹

- 7.1 None

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