

## Locality Building Review

Date: 8<sup>th</sup> December 2023

Report of: Chief Officer Asset Management and Regeneration

Report to: Infrastructure, Investment and Inclusive Growth Scrutiny Board

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

### Brief summary

The Council has progressed a programme of rationalisation of its operational estate over the last 11 years, focusing primarily on buildings which provide back office accommodation for staff. This has reduced our estate by over 125 buildings, contributed over £8m of revenue savings and generated over £25m of capital receipts through asset disposals. However, the Council's estate remains substantial with in excess of 900 individually listed assets ranging from individual storage containers through to a range of buildings for example leisure centres, libraries, community centres, offices and Adult Day Centres.

Many of these buildings are located outside of the City Centre and within local communities and have not previously been comprehensively reviewed. Following the outcome of the Local Government Association Peer Review, and in the context of the Council's current financial challenge, an overarching review of our estate is underway informed by and informing service transformational changes. This paper sets out the approach being undertaken and future work in this area for comment and input from Scrutiny Board.

### Recommendations

The Scrutiny Board for Infrastructure, Investment and Inclusive Growth is asked to:

- a) Note the contents of this paper and the review being undertaken around the Council's locality buildings
- b) Note that this work is being undertaken in parallel to a wider review around the delivery of locally delivered services
- c) Comment on the approach being taken and proposed next steps to further inform the work being progressed.

## **What is this report about?**

- 1 This report sets out the work which is currently ongoing to review the Council's locality buildings and the way this is being undertaken hand in hand with a review around the way locality based services are provided across the city.
- 2 The Council has a substantial operational property portfolio of in excess of 900 individually listed assets, made up of a wide range of properties from buildings such as the Civic Hall through to Leisure Centres, Community Hubs, Sports Club Changing Facilities, and a large number of smaller assets within parks including storage containers. Since 2012 there has been an estate rationalisation programme which has primarily focused on back office accommodation and has successfully seen the closure of over 125 properties, delivering in excess of £8m of revenue savings per annum and over £25m of Capital Receipts through the sale of properties. There has also been a focus on reducing the number of leased in properties to maximise the level of revenue savings.
- 3 This work has been accompanied by considerable investment in our retained office accommodation which has been refurbished to modern standards through the Changing the Workplace Programme, which adopted principles around more flexible use of office spaces, and digital investment to support hybrid ways of working. Most notably the refurbishment of Merrion House allowed a number of buildings to be vacated including 2 Great George Street, the Leonardo and Thoresby Buildings. In addition there has been investment in the creation of 26 Community Hubs across the city to provide improved access to Council services and advice.
- 4 Although there has been substantial estate optimisation and rationalisation work undertaken, to date this has not seen a comprehensive review of our locality based buildings. As such our estate remains too large, has substantial backlog maintenance pressures, is not fit for purpose and can not be afforded. It is therefore imperative in the context of the Council's Financial Challenge and the recommendations of the Local Government Associations Peer Review of the Council which took place in November 2022 and are set out below, that a comprehensive review is undertaken of the Council's operational locality assets:
  - Review locality working to improve clarity and coherence for the council, partners and communities
  - Ensure shared understanding of priority areas, underpinned by work on indices of deprivation
  - Map out services and existing assets, and through a collaborative process review locality arrangements to potentially cluster and consolidate where this would add value and efficiency
  - Review and align service provision geographies with health, education/clusters, and the voluntary sector
  - Consider how to further strengthen place-based networks.

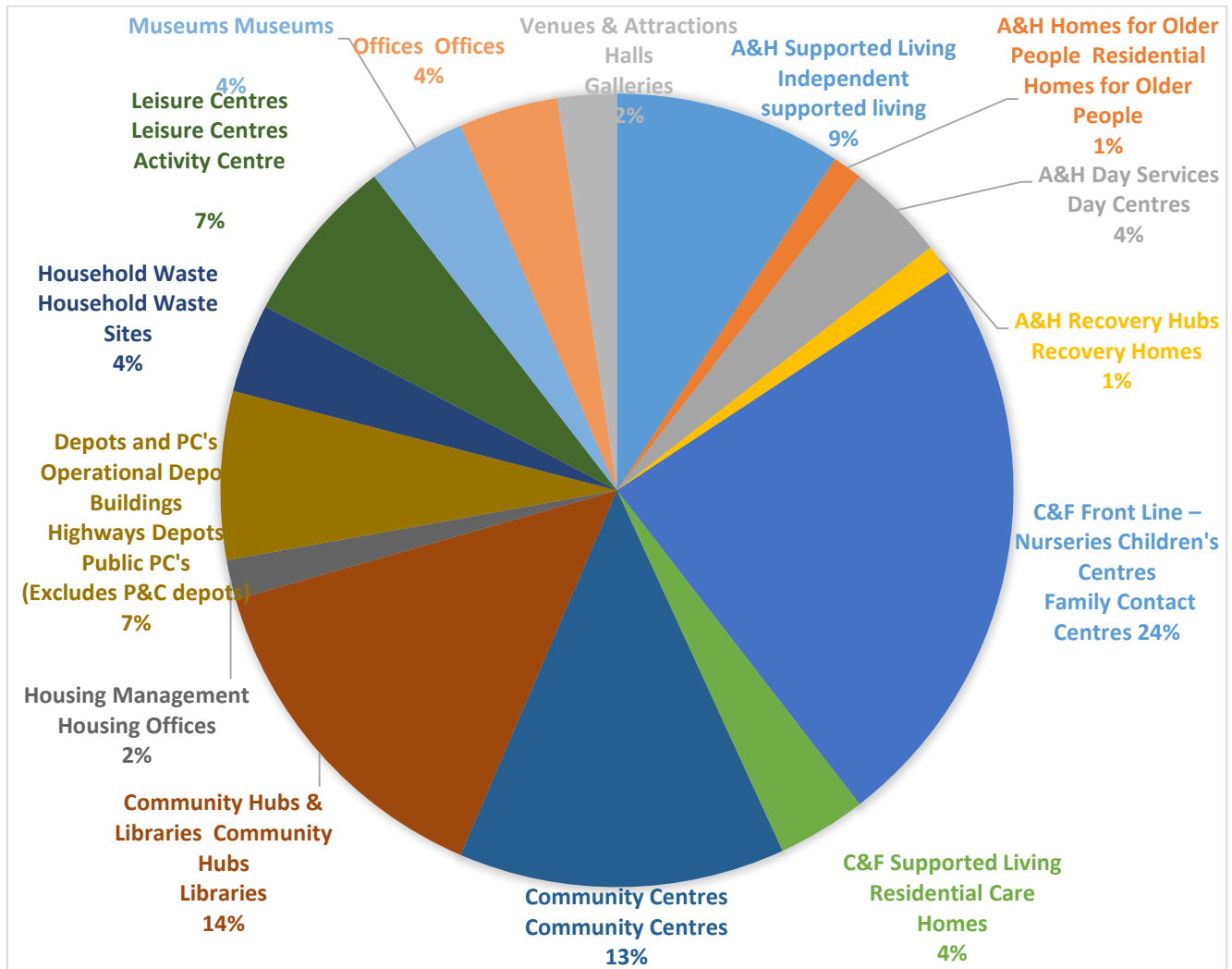
## **Locality Estate Overview**

- 5 Our operational locality buildings consist of a wide range of asset categories. These are listed in Fig 1, noting that this excludes smaller assets such as storage containers; Housing Revenue Account assets; sports and recreational facilities such as bowling pavilions and changing facilities; and structures found within parks and gardens for example. The categories set out below are then represented against our wider estate in Fig 2.

**Fig 1 – Locality Assets**

<b>Asset Category</b>	<b>Assets Includes</b>	<b>Total Number</b>
A&H Homes for Older People	Residential Homes for Older People	3
A&H Day Services	Day Centres	10
A&H Recovery Hubs	Recovery Homes	3
C&F Front Line	Nurseries Children Centres Family Contact Centres	59
C&F Supported Living	Residential Care Homes	9
Community Centres	Community Centres	33
Community Hubs & Libraries	Community Hubs Libraries	35
Housing Management	Housing Offices	4
Depots and PC's	Operational Depot Buildings Highways Depots Public PC's (Excludes P&C depots)	17
Household Waste	Household Waste Sites	9
Leisure Centres	Leisure Centres Activity Centre	17
Museums	Museums	10
Offices	Offices	10
Venues & Attractions	Halls Galleries	6
Total Operational Assets		249

**Fig 2 – Breakdown of Leeds City Council Estate**



- 6 Of note is that our office estate now only represents 4% of our total estate with the largest asset areas being Children’s Centres and Nurseries, Community Hubs & Libraries, and Community Centres.
- 7 A map showing the distribution of assets across the city can be found at Appendix A, showing that whilst there are significant clusters of assets within inner areas, there are some parts of the city which have very few operational properties which impacts upon the approach to service delivery.
- 8 The use of our locality buildings varies substantially between categories of building and by location. Some Community Centres for example are well used and active throughout the day and into the evening, whereas others have little overall use. This is a trend that can also be found in Children’s Centres. That said Community Hubs have become a recognised and well established front door for Council services. It is estimated that our locality buildings are only utilised for 30-50% of their capacity during their existing opening hours whereas our target for office space utilisation is 80%.
- 9 Our buildings also have a range of opening times and different periods of peak use. For example leisure centre sports halls are often well used at evenings and weekends but during the daytime are underutilised. Equally, many of our buildings close at the end of the working day, meaning that they are not available for broader use in the evenings.

## Review of Locality Estate

- 10 The review of locality buildings is drawing on information held around tenure, use (including by third parties), running cost, backlog maintenance and the sustainability/ carbon footprint of buildings. In addition the level of investment made into properties, their flexibility to facilitate a wider range of uses, location, potential value/ opportunity to realise a capital receipt or potential to be leased out are also important factors.
- 11 Despite the information already available, additional due diligence will be required to determine whether there are any title restrictions preventing disposal or particular uses and where there has been grant funded investment, whether there are clawback provisions.
- 12 The Council's buildings are an enabler for service delivery and as such any changes to buildings will impact upon how or where services are delivered. Whilst work has been ongoing to consider our locality buildings this is in parallel to emerging reviews around the way in which the Council delivers services in localities. This is a cross Directorate review being led by the Director for Communities Housing and Environment. A Locality Service Transformation Board has been established to oversee this important area of work which seeks to:
  - a) Build on existing complementary approaches, sharing infrastructure, resources, and workforce to deliver better, more efficient, more effective outcomes which bring about change, especially in our most challenging areas of the city.
  - b) Integrate and embed multi-disciplinary teams, with a focus on preventative and targeted service delivery within communities.
  - c) Focus on a Strengths-based approach. Building community wealth, through a focus on EDI and the involvement of those with Lived Experience and supporting the development of community capability, capacity and assets.
  - d) Express the city ambition through local plans, developed with the community and for the community, to secure better engagement and ownership.
- 13 A phased approach to the Locality Building Review is being progressed.
  - Phase 1 involves the identification of buildings which can be released based upon their utilisation, condition and ability to relocate services into alternative buildings which are reasonable and appropriate. It should be noted that this does not involve a change to how services are delivered.
  - Phase 2 will see additional building releases but this will come forward as a result of locality service transformation.
- 14 Using the information available, the intention is to RAG rate buildings on the following basis:
  - a) Green – Core buildings to be retained
  - b) Amber – Buildings still to be reviewed or subject to wider service transformation/ review – Phase 2
  - c) Red – Buildings which can be released – Phase 1
- 15 Whilst buildings identified as 'Amber' remain under review, it may be appropriate for these to be retained in preference to a building currently identified as 'Green', subject to service delivery changes. As such the list will remain 'live' and subject to change due to the complexities involved.
- 16 A workshop of Best Council Leadership Team members was held in September to explore the opportunities and how this might impact upon our estate and the way in which buildings are

used. A Locality Service Transformation Board has also been established to oversee this important area of work which will inform and be informed by the locality building review.

17 In addition, given the Council's financial position there have been a range of individual service reviews under consideration which have an impact upon estate requirements and individual buildings. As this intelligence builds, this will feed into the proposals around estate changes.

### **Locality Building Principles**

18 In order to guide this work a number of principles have been established which are set out below:

- a) Retained buildings will have a utilisation rate of at least 80%
- b) A working target of a 60% reduction of locality buildings has been established based on the intelligence to date and affordability with a focus on retaining the best condition, best located and most flexible properties
- c) That a Corporate Landlord approach will be adopted and therefore there will not be single service managed properties
- d) That buildings will be multi-use providing a single front door to Council services allowing a more simplified navigation of services by customers and communities with an integration of Family Hub services within Community Hubs.
- e) That we will have a range of Community Spaces which are more easily hired than dedicated Community Centres
- f) That we will strengthen and broaden the use of cultural/ leisure facilities (Leisure Centres and Leeds Museums and Galleries) to make better use of these significant facilities
- g) That partner, third sector and schools are utilised where appropriate to support service delivery and promoted for community use to enhance their sustainability.

19 It is important to note that residential accommodation (Assisted Living/ Homes for Older People) are not included within the Locality Building Review. In addition, separate reviews are being undertaken around our depot facilities, informed by the fleet review and sports and recreational facilities and as such are excluded from the terms of the Locality Building Review.

### **Process to release operational properties**

20 Release of surplus properties will be carefully managed to ensure that services are reaccommodated within our retained estate. It is recognised that in order to achieve this, there may be a requirement for modest investment to ensure our retained buildings are fit for purposes. However, this will be kept to a minimum at this time and there will need to be an acknowledgement by services that there will be a need for compromise. Therefore, a longer term investment plan will be required into our retained buildings to address backlog maintenance issues and further improve the flexibility of buildings.

21 Securing vacant possession for buildings requires significant resource. The approach has been refined over the last decade through the release of office buildings with a multi-disciplinary team involving Asset Management, Facilities Management, Information and Digital Services (including records management) and Human Resources. The pressure and impact on services is also acknowledged given the disruption caused through relocation. However, it is recognised that the approach for locality buildings will be more nuanced due to the nature of uses with use

by community organisations or third parties needing to be brought to an end as well as the relocation of services and staff.

- 22 There are a variety of methods to release surplus properties. Disposal as part of the Capital Receipt Programme will be a primary route for release. However, in some cases it may be more appropriate to lease properties out on a market rent generating revenue income to the Council. In addition, properties or sites will be considered for use to support wider Council priority programmes such as Council Housing Growth, learning places or other emerging programmes.
- 23 Community Asset Transfers (CATs) could provide scope for Communities to take over the running of buildings with a long standing community use for continued community benefit. However, this will only be possible with buildings which meet current Minimum Energy Efficiency standards which must be met for all commercial lettings, as well as having the ability to meet future requirements. This currently requires an EPC rating of an 'E', but is expected to increase to a 'B' by the end of the decade. Given the Council will not have the financial ability to invest into properties, community organisations will need to make provisions in their business plans and provide a strategy as part of their CAT proposal as to how the required investment can be made. In addition, buildings which have substantial backlog maintenance will not be offered as a potential CAT as the level of investment required would overly expose community organisations. Finally, buildings will only be made available where they are not required to support the Council's budget position.
- 24 The Council has mixed experiences of CAT's with some notable successes such as Bramley Baths and Yeadon Town Hall, but also enquiries which have not ultimately been completed for a variety of reasons, including realisation by organisations around the complexity, capacity and considerations of taking on a building, or weaknesses in business cases. The approach the Council takes to promote opportunities will therefore be amended and discussions are taking place with Voluntary Action Leeds to better inform the process. However, a clear timescale will need to be set for promoting opportunities, receiving and assessing bids and entering into leasing agreements, which will take on a standard format. In addition, a clear assessment criteria will also be needed. It is time consuming and resource intensive for community organisations bringing proposals forward for CAT's and the level of resource and capacity is often underestimated. A key element to this is the support that can be given to organisations progressing bids. This is not currently provided by the Council and opportunities are being explored for organisations such as Locality to provide this role.
- 25 It is anticipated that the number of operational properties being released will be substantial over the coming years and the impact of void properties both on localities and the liability, risk and cost of such properties to the Council is acknowledged. As such, a programmed approach to releases is proposed to be developed which will seek to minimise the amount of time properties remain void, therefore reducing the impact of vacant properties upon localities. It may therefore in some cases be beneficial for properties to remain operational at very reduced levels until the time of disposal or lease. Additionally, some properties may be demolished utilising funding from the demolition capital programme scheme to manage risks, but this will only occur where properties can not be disposed of or released in a timely way, or where there is a financial advantage to disposal.

## **Next Steps**

- 26 In order to progress the review, work will continue over the coming months to identify the RAG rating of properties. Proposals for changes will then be promoted to Executive Board for

consideration on a phased basis informed by the programme which will be drawn together defining the timescale for securing vacant possession and securing a disposal or future use.

- 27 In addition to building releases, a programme of immediate and future investment will also be defined for our retained estate. Furthermore, there will be a requirement for specific workstreams such as the provision of a new booking system for 'community spaces' which will allow for both internal service booking, as well as a simple to use external interface and linked payment system.

### **What impact will this proposal have?**

- 28 There are a number of impacts that the locality building review will have. First and foremost the intention is to reduce the size of the Council's operational estate to ensure it is affordable within the medium term financial plan. In addition, there is scope to improve the customer and user experience of accessing the Council's services and estate, as well as opportunities to realise service integration efficiencies through the transformation of services and improved co-location including with partner organisations.

### **How does this proposal impact the three pillars of the Best City Ambition?**

Health and Wellbeing       Inclusive Growth       Zero Carbon

- 29 This area of work will support all three pillars of the Best City Ambition through improved access to services, reducing the Council's carbon footprint from its operational buildings through the reduction in the size of the estate and investment into retained buildings. In addition through the release of surplus properties via disposal, lease or redevelopment in support of priority Council programmes has the potential support the Inclusive and economic growth of the city.

### **What consultation and engagement has taken place?**

Wards affected: Citywide

Have ward members been consulted?       Yes       No

- 30 The review is citywide and therefore impact will be seen in all wards. Ward members will be briefed on proposals as they emerge and will have opportunity to comment on proposed approaches to release properties. Engagement will take place separately in relation to the Locality Service Transformation proposals.

### **What are the resource implications?**

- 31 The locality review and delivery of property releases will require substantial resource from within existing teams across Asset Management, Facilities Management, Information and Digital Services and Human Resources. However, given the broader service integration opportunities input and resource requirements from a broader range of services will be required. That said, the intention is for this to support the wider transformation of the Council, supporting work around its future organisational design as well as ensuring its estate is affordable. Through this area of work specific revenue savings will be secured through the release of operational properties and income will be generated through the disposal or letting of properties. Additionally, liabilities associated with backlog maintenance and decarbonisation investment into our estate will be reduced as properties are released.



## **What are the key risks and how are they being managed?**

32 The risks associated with this area of work will be further scoped as work progresses. However, the notable risks are around the ability to release properties at pace to meet the Council's budget provisions as well as market conditions which will impact on the Council's ability to dispose of properties and achieve acceptable receipts. There are also substantial risks around securing vacant possession, the ability to bring together the timescales of delivering service transformation with estate rationalisation and wider communication messaging and managing public expectations and perception.

## **What are the legal implications?**

33 There are no specific legal implications in relation to this paper. However, as noted earlier within this report, it will be necessary to undertake a range of due diligence in order to explore potential property releases.

## **Options, timescales and measuring success**

### **What other options were considered?**

34 As set out in this paper, it is essential that the Council reviews the size of its operational property portfolio and therefore doing nothing is not an option. Approaching this in parallel with wider service transformation is essential but in some cases it will be necessary for asset based decisions to take a lead. The review will consider a range of options for individual properties and the release method where this is to be recommended.

### **How will success be measured?**

35 The main measure of success will be seen through a reduction in the size of the Council's operational estate in a managed way which maximises capital receipts, minimises the impact upon communities, improves the customer journey and supports wider organisational and service efficiencies.

### **What is the timetable and who will be responsible for implementation?**

36 Work is ongoing to identify specific proposals around properties to be released, however it is anticipated that proposals will be recommended on a phased basis to Executive Board for closures to progress over the next three financial years.

## **Appendices**

- Appendix A – Mapping of Locality Assets

## **Background papers**

## Appendix A – Mapping of locality Assets

