

Accelerated Property Releases and Disposals

Date: 18 October 2023

Report of: Director City Development

Report to: Executive Board

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

Considering the in-year budget position and medium-term financial plan, the opportunity to deliver additional capital receipts in year, has been considered. The Council continually reviews its operational estate to identify and deliver asset related savings. Given the financial pressure the scope to accelerate the release of a number of operational properties is recommended. In addition, the Council holds a number of prime let out properties which have been acquired to support the city's growth and regeneration. Within this portfolio there are a number of properties which could be released to generate more substantial capital receipts, which are recommended to be explored further and where appropriate progressed for disposal.

Recommendations

Executive Board is asked to:

- a) Agree the accelerated release of the properties set out at Table 1 and where identified their inclusion within the Capital Receipt Programme for disposal.
- b) Agree to the properties identified in Table 2 being explored for disposal further.
- c) Delegate authority to the Director for City Development in consultation with the Executive Member for Resources, and the Chief Officer Financial Services, the decision as to which of the properties identified from the Investment Portfolio at Table 2 should be progressed for marketing. Subject to the value of the offers received, the final decision to sell will be delegated to the Director of City Development in consultation with the Executive Member for Resources.
- d) Delegate authority to the Director for City Development to agree the terms of the disposals agreed as part of this report.
- e) Agree that the receipts set out in Table 2 are exempt from the Capital Receipt Incentive Scheme.

What is this report about?

- 1 The Council has over 600 operational properties and over the last 10 years has substantially reduced the size of its estate in accordance with service needs. Over 100 buildings have been closed in that period, reducing the amount of floorspace that the Council occupies operationally by at least 1.4 million sq ft, generating in excess of £5million of revenue savings per annum and capital receipts of over £23million.
- 2 Operational property that is surplus is either transferred to other Council priority development programmes or disposed of through the Council's Capital Receipt Programme, which is reported to Executive Board annually in February. Within the current financial year, disposals to the value of £24.8m are being forecast and are being progressed for completion.
- 3 The Council continues to review its operational estate and has identified a number of properties which are being explored as potentially surplus in coming years. However, given the financial challenges the Council currently faces, the opportunity to bring some of these closures forward has been explored and it is proposed to release and, where identified, dispose of the properties set out in Table 1 within the current financial year. Properties held within void management have also been reviewed to identify those which can be brought forward for disposal or alternative solutions to reduce the liability of the properties and cost of holding. Confidential Appendix B provides details of the anticipated capital receipts that may be generated through the disposal of the properties identified within Table 1.

Table 1

Site Name	Ward	Disposal/ future use	Asset Management Service Relocation Solutions
Lincoln Fields Centre	Burmantofts and Richmondhill	Demolish property and hold land for potential future wider regeneration activity.	Property recently closed and transferred into void management
Crossgates Library	Killingbeck & Seacroft	Disposal – inject into the Capital Receipt Programme	Property closed and library re-provided within Crossgates Shopping Centre. Subject to plans to develop a new Community Hub within the Shopping Centre building to be disposed. Potential for the building to be used for a boxing club, supported by ward members, has been put forward. Whilst a scheme has been put forward, a full business case has not been presented and there may be other more suitable opportunities could be made available. The building has become a target for antisocial behaviour.
15 Lavender Walk	Burmantofts & Richmond Hill	Disposal – Inject into the Capital Receipt Programme	Currently occupied by Children's Services. Solutions being worked through to relocate staff in retained estate in the locality.
Adams Court	Beeston & Holbeck	Disposal – inject into the Capital Receipt Programme	Office building occupied by staff within the Children's and Families and Adults and Health Directorates. Ongoing work to identify solutions to relocate staff within the Council's wider office estate.
Broom Hill Family Centre	Burmantofts & Richmond Hill	Disposal – Inject into the Capital Receipt Programme	Currently occupied by Children's Services. Solutions being worked through to relocate services into alternative buildings.
Foxcroft Close	Kirkstall	Property forms part of a wider site being considered by the Department for Education for SEND school provision.	Currently occupied by Children's Services. Solutions being worked through to relocate services into alternative buildings.

- 4 Where properties are occupied, work is taking place to re-locate services to alternative buildings within the Council's property portfolio. In the case of the former Crossgate Library building, the library was relocated to Crossgates Shopping Centre in 2022. A scheme is being prepared to incorporate a Community Hub customer access point.
- 5 It is proposed that those properties identified for disposal in the above table are auctioned. This is due to the proposal to secure the receipt in the current financial year, with the auction process setting clear timescales for the completion of the sale. Auction of surplus estate is a tried and tested method of disposal. Using an informal tender process could extend the sale and disposal process and provides less certainty to the Council around the timing of funds being received.
- 6 In addition to the operational estate, the Council has a large portfolio of let out properties. The Prime Segment of this Portfolio consists of 10 properties including city centre office accommodation, out of town office park accommodation, multi-storey car parks, the leisure sector and studio space. These were acquired or developed in recent years as part of the Council's Strategic Investment Fund, with all acquisitions supporting the economic growth and regeneration of the city.
- 7 Disposals from this segment of the Council's portfolio is an activity that has been undertaken previously to great effect, notably the sale of leased out industrial units within the Leeds Enterprise Zone. However, this was at an unprecedented time in the market when investors were actively avoiding some asset classes with the product the council sold benefitting from a heightened state of demand due to the COVID-19 global pandemic, resulting in greater demand for logistic and distribution purposes.
- 8 Any disposal from the prime segment requires careful consideration to ensure that the market is not provided with opportunities that would detract from one another if marketed and competitive bidding being encouraged. In addition, a spread of asset disposal opportunities should lead to a successful outcome.
- 9 It is proposed to further explore the potential disposal of some or all of the properties identified in Table 2. These have been identified based upon their value; existing lease position; likely market interest; future liabilities to LCC; and lot size:

Table 2

Property	Ward
Swinegate Car Park	Hunslet & Riverside
Harper Street Car Park	Little London & Woodhouse
St George House	Little London & Woodhouse
2180 Century Way, Thorpe Park	Garforth & Swillington

- 10 Through the appointment of specialist agents, the potential disposal of these investments will be explored with a final decision around the final package of disposals being determined by the Director for City Development in consultation with the Executive Member for Resources, and Chief Officer Financial Services.

What impact will this proposal have?

- 11 The proposals set out above will further reduce the size of the operational estate. Whilst this will impact on the services which currently operate from the buildings identified, through the ongoing work with services, alternative appropriate solutions will be identified. Through releasing properties from its operational portfolio, the operational costs associated with holding a property can be achieved as a saving. In addition, the properties identified for release all

have backlog maintenance requirements and also require substantial investment to decarbonise them.

- 12 Appropriately timely release of let out properties as part of an ongoing active asset management approach can help to manage future risks around lease events, liabilities and investment requirements. However, as set out in the confidential appendix, the release of these properties, whilst likely to deliver a substantial capital receipt, does also impact the Council's revenue position through loss of income.

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

Health and Wellbeing Inclusive Growth Zero Carbon

- 13 The release of operational properties which are inefficient and unsustainable supports the Zero Carbon Best City Ambition. The Council's operational estate will be further rationalised in coming years with investment into our best properties to reduce the Council's carbon footprint and meet our Zero Carbon ambitions.

What consultation and engagement has taken place?

Wards affected: Beeston & Holbeck; Burmantofts & Richmond Hill; Crossgates & Whinmoor; Hunslet & Riverside; Little London & Woodhouse

Have ward members been consulted? Yes No

- 14 The Executive Member Resources has been consulted on the approach set out in this paper. In addition ward members in the wards affected have been advised of the proposals.

What are the resource implications?

- 15 The accelerated release of properties will deliver estimated annual revenue savings of c£150k (which will contribute towards achieving the existing estate rationalisation saving target) in addition to avoiding backlog maintenance liabilities and investment required to decarbonise the properties. The disposal of the properties will also provide a capital receipt for the Council with the indicative receipts outlined in Confidential Appendix B.
- 16 The financial implications resulting from the disposal of investment properties is more substantial with the potential to generate more significant capital receipts, but also the resulting loss of revenue income. The full financial considerations relating to the properties identified for further consideration is set out in Confidential Appendix C.
- 17 It is proposed that all receipts generated through the disposals set out in this paper are exempt from the Capital Receipt Incentive Scheme.

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

- 18 There are a number of risks associated with the recommendations contained within this report. The operational properties are currently occupied and vacant possession therefore needs to be obtained. Work is ongoing with the services concerned to identify appropriate solutions, but it is essential that the properties are vacated by the end of the calendar year in order that they can be auctioned by January at the latest and the disposals completed by the end of March 2024.
- 19 Market conditions is a key risk area associated with all disposals. Whilst it is possible to bring properties and investments to the market, the successful disposal, and at an appropriate value is subject to market conditions and interest. The operational properties will be disposed of via auction. Sufficient time for marketing of the opportunities will be provided working with the

Council's appointed auctioneer as well as the setting of an appropriate guide and reserve price to maximise interest.

- 20 The sale of Investment Properties will be supported by specialist agents and consultants who will work for the Council to maximise interest and value. There is the risk of unfavourable market conditions and timing.

What are the legal implications?

- 21 The decision in relation to the accelerated release and disposal of properties has been recorded as a key decision. However, this matter has not been included on the List of Forthcoming Key Decisions for the entire 28 clear calendar days because of the timescales involved in the work required to bring the properties contained within this report forward to the market and conclude their disposal within the current financial year, and the need for Executive Board approval at its October meeting to allow these timescales to be met. As such, this matter is being administered in line with the Council's General Exception procedures, as detailed at section 2.5 of the Council's Executive and Decision Making Procedure Rules.
- 22 Appendices B and C are both designated as being exempt from publication under Access to Information Procedure Rule 10.4(3) as these contain information relation to the financial and business affairs of the Council including valuation details for the properties included within this report. The intention for this exempt information to be considered in private has not been put on notice for the entire 28 clear calendar day period. As such, in line with Executive & Decision Making Procedure Rule 2.3.4, approval of the relevant Scrutiny Board Chair has been sought and confirmed that this matter is urgent and cannot reasonably be deferred, which in this case is because of the timescales required for marketing and disposal of the properties as set out at paragraph 21.
- 23 There are no specific legal implications relating to the sale of the properties set out within this report. Legal Services supported by external legal firms where appropriate will undertake the necessary legal work associated with the disposal of the properties.

Options, timescales and measuring success

What other options were considered?

- 24 A wide range of opportunities to release properties from the Council's operational estate have been considered in coming to the recommendations within this paper. However, the properties recommended for accelerated release have been drawn together based on the condition of the buildings, investment requirements and ability to secure vacant possession within a short time period.
- 25 There are few options to generate substantial capital receipts and therefore properties held for investment purposes are the primary option available. However, the short list set out in this paper has been derived based upon their value; existing lease position; likely market interest; future liabilities to LCC; and lot size.

How will success be measured?

- 26 Sale of the properties identified for disposal within this paper by the 31st March 2024 will be the primary success measure.

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

27 The Director for City Development is responsible for the implementation of the proposals set out within this paper. Disposal of the properties identified will take place within the current financial year, completing by the 31st March 2024.

Appendices

- Appendix A – EDCI Screening Document
- Appendix B – Accelerated releases and disposals - exempt from publication under Access to Information Procedure Rule 10.4(3)
- Appendix C – Financial Implications relating to the release of investment properties - exempt from publication under Access to Information Procedure Rule 10.4(3)

Background papers

- None.