

Report of Director of City Development

Report to Executive Board

Date: 7 January 2020

Subject: Capital Receipts Programme Update and approval of future disposals

Are specific electoral wards affected? If yes, name(s) of ward(s): City Wide, Crossgates & Whinmoor, Alwoodley	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open 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: 10.4(3) Appendix number: B	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Summary

1. Main issues

- The Council's Capital Receipts programme of surplus property disposals realises considerable capital sums to support the Council's budgets. The Council's Medium Term Financial Strategy (MTFS) is reliant on the programme and this report provides an update for Executive Board on the current and anticipated capital receipts. In particular there are a number of key sites which will make significant capital receipts contributions over forthcoming years to the MTFS and it is proposed the disposal of these sites is aligned to support the MTFS,
- Rationalisation of the Council's property portfolio continues to achieve efficiencies and savings for the Council and through the disposal of surplus assets supports the MTFS.

2. Best Council Plan Implications

- Realising capital receipts from the disposal of surplus property assets will contribute to the Council's MTFS in support of all the Council's priorities.

3. Resource Implications

- The Capital Receipts programme is an important source of funding for the Council. Budget shortfalls would be experienced if the disposal of surplus property assets

does not continue, or are delayed unnecessarily which could have a significant impact on the delivery of Council services.

Recommendations

- Executive Board is recommended to:
 - a) Note the content of the report providing an update on the Capital Receipts Programme.
 - b) Support the continued disposal of surplus property assets through the Capital Receipts Programme and note the list of properties in Appendix A currently scheduled for disposal in the next three years.
 - c) Approve the schedule of sites outlined in Appendix A as the Council's Capital Receipts Programme of surplus land and property for disposal.
 - d) Give approval to the Director of City Development entering into formal one-to-one discussions with the Taylor Wimpey and Redrow consortium on the sale of the Council's land in the Southern Quadrant of the East Leeds Extension. Subject to the outcome of those negotiations the Director for City Development will bring back a report to Executive Board to either agree the terms of the sale negotiated, or alternatively agree proposals for the sale of the land on the open market.
 - e) Separately, but in parallel to recommendation d above, to approve the Director of City Development negotiating and entering into a collaboration agreement with the Taylor Wimpey and Redrow consortium on the development of a single planning application for the Southern Quadrant of the East Leeds Extension and associated land equalisation issues, in consultation with the Executive Member for Resources and the Executive Member for Climate Change, Transport and Sustainable Development.

1. Purpose of this report

- 1.1 The purpose of this report is to provide Executive Board with a Capital Receipts Programme update, to seek support to the continued disposal of surplus property assets, and to recommend the disposal of a number of key sites.

2. Background information

- 2.1 Realising capital receipts from the disposal of surplus property assets provides an essential source of capital to contribute towards the Council's Medium Term Financial Strategy and funding of Council priorities and services. Since the Capital Receipts programme started in 1990 a contribution in excess of £500m has been made to the Council's budgets. This important source of capital receipts can be maintained as the Council manages its property portfolio and rationalises further to provide for a fit for purpose footprint. The Council's current financial pressures can be assisted by accelerating the disposal of a number of key sites which could realise total receipts in excess of c£50m.

3. Main issues

- 3.1 The Capital Receipts programme for the next three years provisionally forecasts £23.5m being received in 2019/20, £32.4m in 2020/21, and £40m in 2021/2022.

The success of the programme depends on the performance of purchasers and is highly sensitive to economic conditions. Currently, economic uncertainty is influencing decisions being taken by purchasers and investors. In particular the sale of the Leonardo complex of offices is not proceeding as anticipated, although work is taking place to complete the sale by the end of the current financial year.

- 3.2 The forecasts in 3.1 arise from the current valuations of surplus property assets anticipated to be sold in the three years of the Capital Receipts Programme. A list of the surplus assets is contained in Appendix A. Executive Board is asked to agree that the assets in Appendix A form the basis of the Council's Capital Receipts Programme and be brought forward for disposal in support of the MTFS. The Executive Board is advised in February each year of the sites and properties that are going to be sold over the next 3/4 years as part of the overall Budget Strategy report that is submitted for approval. The majority of the sites in the attached appendix A have therefore previously been reported to Executive Board.
- 3.3 Within the surplus assets listed in Appendix A are a number of key high value sites which are appropriate for development, either having been earmarked for a number of years for disposal and redevelopment or recently allocated for development uses in the Council's adopted Site Allocations Plan. These sites are at Lisbon Street (site of the former International Swimming Pool), Redhall, Southern Quadrant and Alwoodley Lane. Disposal of these sites is anticipated to contribute in excess of £50m to the Council's MTFS. Delays in bringing forward these sites and realising the eventual capital receipts will have serious financial consequences for the Council's MTFS.
- 3.4 A summary update of the key sites identified is outlined below;
- 3.5 Lisbon Street – A 1.12 hectares mixed use development site with potential for office, residential, hotel and education uses together with an area of public realm as identified within Plan 1. Following Executive Board approval in 20 March 2019 a marketing campaign was undertaken and the Council has subsequently received a number of offers which have been reviewed internally. A number of parties have been shortlisted and final submissions and offers were received on 18 November 2019. It is envisaged a report will be taken to Executive Board in February 2020 to select a preferred and a reserve bidder. On the assumption that a conditional contract for sale is agreed, it is likely that the capital receipt could be secured in 2021/2022.
- 3.6 Redhall and Southern Quadrant – These are residential development sites within the East Leeds Extension (ELE). With a strategic housing allocation the ELE comprises 232 hectares with capacity to deliver c4,500 to 5,000 homes.
- 3.7 Red hall - The Council's Redhall site extends to 28 hectares (gross) including the land required for East Leeds Orbital Road. On 21 October 2015 Executive Board approved a report "East Leeds Extension Update and Next Steps" which included a recommendation that the Redhall site be marketed and disposed, on terms to be approved by the Director of City Development. Marketing of the site identified within Plan 2 commenced on 8 November 2019, with offers and development proposals being invited by 17 January 2020. The sale is anticipated to complete in 2021/22.
- 3.8 Southern Quadrant - The Council's ownership in the Southern Quadrant comprises 22 hectares (gross) including the land required for East Leeds Orbital Road and a primary school provision. The overall area of the Southern Quadrant is circa 64 hectares with the remainder in the ownership of Taylor Wimpey and under option to Redrow. As part of a Supplemental Planning Guidance document there is a requirement that only one planning application is submitted for the whole of the

Southern Quadrant to ensure a coordinated delivery of the site including new primary school provision, greenspace, access roads and infrastructure together with housing. As the Council is forward funding part of the total construction cost of East Leeds Orbital Road (ELOR) together with grant from West Yorkshire Combined Authority there will be a requirement for all the land owners to enter into a s106 Agreement to make an infrastructure contribution towards the cost of the construction of ELOR. Discussions have been taking place with Taylor Wimpey and Redrow on the master planning for this part of ELE and as part of these discussions it is proposed that the Council enters into further discussions for the sale of its ownership in this part of ELE, as identified approximately within Plan 3, to these two parties with terms being reported back to Executive Board. If terms cannot be agreed in relation to a sale, negotiation will take place on the terms of a collaboration agreement to enable a single planning application to be brought forward for the whole of the Southern Quadrant. It is anticipated the Council's Southern Quadrant land will be sold on a phased basis from 2021/22 onwards due to the overall size of the Southern Quadrant which totals circa 64 hectares (gross) and parts of the Council's land can only be developed when the internal spine road is constructed.

- 3.9 Alwoodley Lane – This site extends to approximately 13.4 hectares close to the junction of the A61 and Alwoodley Lane as identified approximately within Plan 4. Recently allocated by the Council for residential use in the Site Allocations Plan (SAP) it has a suggested capacity of 302 units. There is SAP allocation requirement that part of the site should be retained for provision of a school. The site will be within a highly accessible and sustainable location when the Council constructs the Alwoodley Gates Park & Ride. Subject to the Executive Board's approval this will be marketed in 2020 with a target date for the sale by the end of the financial year 2020/21.
- 3.10 In addition to the key sites listed above the Council also has a number of sites that will be sold over the next 4 to 5 years. These site are listed in the attached Appendix A. Exempt Appendix B provides details of the values relating to the key sites listed above, and the capital receipt relating to the Leonardo complex of offices.
- 3.11 The current MTFs highlights where there could be possible shortfalls which would put pressures on Council budgets. To meet these shortfalls from 2020/21 it is important that the Council brings forward the four keys sites. As mentioned early in the report work has already commenced on marketing some of these sites (Lisbon Street and Red Hall) and initial discussions taken place in respect of the Council's land in the Southern Quadrant of ELE with the aim to complete the sale of some of the sites from 2020/21 onwards. The revised forecast of all capital receipts and resources requirements is shown in the following table:

	2019/20	2020/21	2021/22	2022/23	Totals
	£	£	£	£	£
Property and Land Sales (Gross)	23,511,984	12,413,529	23,121,243	1,744,000	60,790,756
Additional Target	0	20,000,000	17,000,000	0	37,000,000
Other	2,299,000	2,449,000	2,449,000	2,449,000	9,646,000
Receipts brought forward	1,467,053				1,467,053
Forecast Receipts	27,278,037	34,862,529	42,570,243	4,193,000	108,903,809
Budget Requirement	23,530,300	36,734,000	17,175,000	18,819,000	96,258,300
In year Surplus/(Deficit)	3,747,737	(1,871,471)	25,395,243	(14,626,000)	12,645,509
Cumulative Surplus/(Deficit)		1,876,266	27,271,509	12,645,509	

4. Corporate considerations

4.1 Consultation and engagement

4.1.1 Consultation has been undertaken with the Executive Member Resources and disposals of the sites is supported.

4.1.2 Ward Member consultation has taken place in respect of the disposal of the Red Hall site and are aware marketing has commenced. Members require greenspace to be retained on the site. Within the approved Planning Brief there is a requirement for the re-provision of a single area equivalent to the size of at least two playing pitches.

4.1.3 In respect of the land in the Southern Quadrant Ward Members are seeking a good quality place making development that provides the appropriate housing mix together with the provision of homes for elderly people, and community facilities linked to a local hub. Ward Members would like there to be ongoing engagement in the development proposals brought forward and this will be a key consideration in the Council's decision making on the final disposal route selected.

4.1.4 Ward Members were supportive of the Lisbon Street site being marketed.

4.1.5 The Alwoodley Ward Members have been consulted regarding the disposal of the recently allocated site on Alwoodley Lane. Members requested an officer briefing and at the time of writing this report arrangements were being made. Ward Member comments will be taken into consideration in future decision making.

4.1.6 As these are major disposals Ward Members will be kept informed of progress throughout the disposal process.

4.2 Equality and diversity / cohesion and integration

4.2.1 Equality, Diversity, Cohesion and Integration screening has been completed and it is considered there are no impacts or implications.

4.3 Council policies and the Best Council Plan

4.3.1 The Council's Capital Receipts programme relates to all the Council's priorities by making a financial contribution to the Council's budgets which fund Council services and activities.

Climate Emergency

- 4.3.2 Development of the sites referred in the report and shown on Appendix A will take account of Climate Emergency and development proposals will have to be planned to take into account of the necessary sustainability measures to the reduce impact of these developments. The majority of these issues will be addressed as part of planning approvals that will be required for the developments to take place in terms of reducing carbon emissions through higher levels of insulation, providing electrical car charging points and appropriate provision of greenspaces.

4.4 Resources, procurement and value for money

- 4.4.1 Due to the financial pressures on the Council in terms of the MTPS over the next few years, the ability to bring forward these key sites, and all others shown on Appendix A, will substantially reduce these financial pressures.
- 4.4.2 A small number of the sites in Appendix A may be disposed at less than best consideration and if it is decided to progress the disposal of some of these sites on that basis then the appropriate approvals in accordance with the Less than Best procedures would be obtained.
- 4.4.3 In order to support future years and to maintain levels of funding it is important to maintain a supply of appropriately released surplus property to the programme for disposal. Part of this will be supported through the rationalisation of Council assets and those being surplus to the Council's requirement being sold.
- 4.4.4 The key sites recommended for disposal in this report are being released at the appropriate time to support the MTFS.

4.5 Legal implications, access to information, and call-in

- 4.5.1 The recommendation that a number of key sites be disposed of is being made as a Key Decision and has been advertised on the List of Forthcoming Key Decisions. This decision is subject to call-in.
- 4.5.2 The information contained in Appendix B attached to this report relates to the financial or business affairs of a particular person, and of 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 was obtained through inviting of best and final offers for the property/land then it is not in the public interest to disclose this information at this point in time as this could lead to random competing bids which would undermine this method of inviting bids and affect the integrity of disposing of property/land by this process. 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 offers 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 Executive Board is recommended to approve the disposal of a number of key sites. Executive Board is also recommended to delegate all future decisions relating to those sales to the Director of City Development under the approved scheme of officer delegation.

4.6 Risk management

4.6.1 The financial contributions made by the Capital Receipts programme are essential to support the Council's budgets. Without surplus property being appropriately released then there is a high risk of there being shortfalls in the funding of Council services.

5. Conclusions

5.1 Executive Board is requested to note the content of this report and approve continuation of the disposal of surplus property assets through the Capital Receipts Programme, and the disposal of the sites at Lisbon Street, Redhall, Alwoodley Lane and Southern Quadrant.

6. Recommendations

6.1 Executive Board is recommended to:

- a) Note the content of the report providing an update on the Capital Receipts Programme.
- b) Support the continued disposal of surplus property assets through the Capital Receipts Programme and note the list of properties in Appendix A currently scheduled for disposal in the next three years.
- c) Approve the schedule of sites outlined in Appendix A as the Council's Capital Receipts Programme of surplus land and property for disposal.
- d) Give approval to the Director of City Development entering into formal one-to-one discussions with the Taylor Wimpey and Redrow consortium on the sale of the Council's land in the Southern Quadrant of the East Leeds Extension. Subject to the outcome of those negotiations the Director for City Development will bring back a report to Executive Board to either agree the terms of the sale negotiated, or alternatively agree proposals for the sale of the land on the open market.
- e) Separately, but in parallel to recommendation d above, to approve the Director of City Development negotiating and entering into a collaboration agreement with the Taylor Wimpey and Redrow consortium on the development of a single planning application for the Southern Quadrant of the East Leeds Extension and associated land equalisation issues, in consultation with the Executive Member for Resources and the Executive Member for Climate Change, Transport and Sustainable Development.

7. Background documents¹

7.1 There are none.

¹ 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.