

**Report of Director of City Development**

**Report to Executive Board**

**Date: 24<sup>th</sup> September 2020**

**Subject: Estate Realisation and Accelerated Capital Receipts**

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" 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: 2	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**Summary**

**1. Main issues**

- Leeds City Council is the largest property owner in the city with an estate comprising of c900 individual operational buildings excluding schools and housing, and c9,000 hectares of land, in addition to over 1,000 properties which are occupied by third parties. The Council last published an Asset Management Strategy in 2014 which defined a number of key principles which have continued to guide the investment and rationalisation approaches for the estate.
- The COVID-19 pandemic has accelerated a number of trends including the changes to the way people work, the way services can be delivered and therefore the way we use our estate. In addition, the pandemic has increased the financial pressures that the Council is facing and therefore a new Estate Management Strategy which was already in preparation is now under review to ensure it meets this acceleration of the trends and will come forward shortly for the period from 2020 to 2025.
- To address the changing needs of effective service delivery and the financial pressures, our estate will continue to further reduce in size, with additional properties added to a re-profiled Capital Receipt Programme.

**2. Best Council Plan Implications** (click [here](#) for the latest version of the Best Council Plan)

- The Council's land and buildings facilitates a range of service delivery and therefore contributes to the objectives, outcomes and priorities set out in the Best Council Plan, Inclusive Growth Strategy and Health and Well Being Strategy. The rightsizing

and remodelling of the Council's estate supports the Best Council ambition to be 'an efficient, enterprising and healthy organisation'.

### **3. Resource Implications**

- The current and future budget pressures is one of the key drivers along with service needs which has necessitated the need to review our operational estate. This will save running costs, responsive maintenance costs as well as backlog maintenance pressures which will come to bear in the coming years. The aim is for the Council to have a sustainable, efficient, well maintained and well utilised estate which allows services to be delivered efficiently and effectively to residents across the city.
- In addition, the report sets out a further acceleration of the Capital Receipt Programme.

### **Recommendations**

a) Executive Board is asked to:

- I. Support the approach proposed to rationalise and remodel the estate.
- II. Agree to the acceleration of the Capital Receipt Programme through a targeted number of disposals by auction and through one to one negotiations, with the first tranche of properties as set out in Confidential Appendix 2 to be taken to auction in October, and to note that a further report detailing additional properties to be included in the Capital Receipt Programme will be brought back to Executive Board.
- III. Note the work ongoing to explore opportunities to extract additional value from the Council's estate as set out in Confidential Appendix 2
- IV. Note that the draft Estate Management Strategy will be brought to Executive Board at a later date.
- V. Note that the rationalising workstream is ongoing and further reports will be presented throughout the course of the workstream.
- VI. Note that the disposal of properties and bringing forward an updated Estate Management Strategy which reflects the Council's future operational requirements is the responsibility of the Director for City Development.
- VII. Note the engagement work so far with staff on both the current and future working from home which will be overseen by the Director for Resources and Housing.

### **1. Purpose of this report**

- 1.1 This report seeks support from Executive Board to the estate rationalisation and remodel approach as well as the accelerated capital receipt programme through a series of targeted auction disposals. By way of background the report also provides details around the Council's home working approach given this underpins our core office estate rationalisation.

### **2. Background information**

- 2.1 Leeds City Council owns and operates a large estate of building and land assets. Our estate has been inherited, built and acquired over many years and is made up

of over c900 individual operational buildings excluding schools and housing, 1,000 investment assets which include any property occupied by a third party and delivers an income to the Council and c9,000 hectares of land. Our operational buildings equate to around 60% of the Council's carbon footprint and consists of office accommodation, children's centres, day centres, care homes, leisure centres, museums, libraries, community hubs and depot facilities. Our investment portfolio is made up of prime investment assets such as office buildings; Leeds Arena; Industrial properties; small industrial units; leased out community assets; sites identified for capital receipts; agricultural land; assets to support economic development; buildings which are occupied in part or in whole by third parties; and miscellaneous buildings and structures such as electricity sub stations.

- 2.2 Since 2010, the Council has made good progress in rationalising its estate and leveraging its assets to support the Council's priorities. This has to date focused on reducing the number of city centre buildings we occupy from 13 down to the 4 we have today. We are also successfully leveraging our assets to support the growth of the city through strategically incorporating our land into major regeneration schemes such as in the South Bank and the release of land at Red Hall for housing following the construction of the Arium.
- 2.3 In addition, the Council's Capital Receipt Programme has played a key role in supporting the continued delivery of front line services in recent years and it takes on renewed importance to support the Council's medium term financial strategy. The Programme as reporting in January 2020 was seeking an overall level of capital receipts of £91.4m by the end of March 2022.
- 2.4 The COVID-19 Pandemic and lockdown period has necessitated everyone to work differently and services to review their delivery models. The long established Changing the Workplace programme has provided, to date, the estate rationalisation through embedding the ability to work remotely from the office. This programme enabled the critical ability to carry on delivery of service through the lockdown period. During this period over 8,000 staff took to working from home whereas pre COVID there would have been on average some 800.
- 2.5 The pandemic has also heavily impacted upon the Council's financial position. Therefore, the time is right for us to review our estate in a comprehensive way to ensure that it is fit for purpose. This paper sets this approach out and will be reflected in the new Estate Management Strategy which will replace the 2014 Asset Management Strategy, to ensure it responds to the latest Best Council Plan, Inclusive Growth Strategy and Health and Wellbeing Strategy.

### **3. Main issues**

- 3.1 Our estate must respond to and meet service requirements including the delivery of statutory and front line services as well as back office functions, team working and work with partners. The shape, format and use of the estate will therefore be informed by user needs, will be guided by service reviews and must sit hand in hand with organisational design and the Council's work from home policy/ offer. This will allow us to rightsize the Council's estate, focusing on our most efficient, flexible and best quality buildings will reduce the Councils' operational cost, whilst allowing opportunities for capital receipts and support our target of Carbon net zero.

## **3.2 The Council's Work from Home approach**

- 3.2.1 In June, a survey was undertaken and made available to all 8,000 staff who have been working from home during lockdown. Nearly 6,000 responses were received with 52% of staff expressing a desire to remain working remotely for most or all of the time, and over 80% wishing to work from home for more than half of their week. However, getting the balance right between working from home and spending time in the office is going to be important, for individual employees and for the service delivery. From the survey, staff reported that they would prioritise office based activities to include:
- Team meetings
  - Collaborating with colleagues
  - Training and development
  - Personal social interaction
- 3.2.2 There is recognition that the home working experience has varied greatly and that some staff have found it difficult and/or not liked the experience. 12% of staff stated that there were unhappy about continued working from home in the future. We need to keep all staff in mind, those for and against working from home, as we consider our future plans.
- 3.2.3 A wider range of considerations have been outlined to inform our future Working from Home strategy, and these can be seen in Appendix 1. Areas covered include: eligibility for working from home, productivity and performance, staff wellbeing and inclusion, home work equipment and costs. Further engagement with staff will help us to further understand the array of attitudes, experiences and support needed around working from home – for those in different roles, at different grades and in different parts of the organisation.
- 3.2.4 The provision of the right equipment to allow people to work from home is essential. During lockdown, a HR helpline has been used to capture and distribute kit to people with additional needs and reasonable adjustments. This has involved taking kit from closed buildings, and more recently those with reduced capacity due to social distancing requirements, but some has been newly bought where this is unavoidable. In addition call backs have been undertaken to 300 people who sought additional help through the Work from Home survey and there is work ongoing with the 1 in 6 members of staff who say that their home working environment is poor/ very poor, and anyone experiencing discomfort.
- 3.2.5 We have a duty to provide staff with the right kit to ensure people remain safe and well at home. As we move forward, all staff will be required to undertake an individual online DSE assessment for their home working arrangements. This is provided through Cardinus and will inform any items of equipment required. The basic standard offer is suggested to include a laptop, separate keyboard, separate mouse and chair. On top of this, where a need is demonstrated, we may also include a desk and monitor, as part of our offer. Where staff have benefited from specialist kit and reasonable adjustments, we will need to look to provide, where appropriate, duplicate provision at home to allow effective home working.

## **3.3 Estate Rationalisation Approach**

- 3.3.1 Given the changes we are seeing around the way staff will work, we have defined a working target of a 50% reduction of our core office estate. In addition it is likely that ongoing service reviews may also identify additional rationalisation opportunities as

we seek to ensure that all of our buildings are appropriately utilised, supporting both the user and customer experience.

- 3.3.2 Given the size and geographic spread of our estate we have an opportunity to transform it to support different service delivery models, culture and ways of working. The city centre has always been seen as the core focus of our office estate and will continue to be so and this is where we have already delivered contraction of the estate from 13 into 4 buildings. In addition appropriate and good quality locality buildings will support more flexibility reducing travel demand/cost, and with it can bring regeneration and economic growth opportunities for local areas if there is a greater throughput of staff in these locations for both desk based, meeting and collaboration activities. Working with a smaller footprint will also allow us to focus on ensuring that all of our buildings reflect the equality, diversity and inclusion measures established within our city centre estate.
- 3.3.3 The more flexibility we can create within our retained estate, the more opportunity for our buildings to not only support and facilitate the Council's activities but also support greater collaboration with partners. Equally, it may be possible that we can use our partners' estates where requirements and decision making is aligned and efficiencies can be gained. A good example of this can be seen through the established work and colocation with our health partners.
- 3.3.4 We are proposing to accelerate the rationalisation programme already underway over the next 5-7 years, to now deliver over the next 3 financial years. Given the financial challenges we also want to be bolder and more ambitious than before in adopting new working practices and considering alternative service deliver which reduced the building needs, building on some of the opportunities and experiences that have come about as a result of COVID. The rationalisation approach is complex, due to the interrelationships between service reviews and change programmes, as well as the need to deliver investment into buildings that we are planning to hold to ensure that they are fit for purpose and support our future ways of working.
- 3.3.5 There is a large amount of data which we will consider to determine which buildings we retain and which are released. This includes:
- Building information - location; size; condition (including recent investment and backlog maintenance); constraints (both in terms of flexibility for future Council use and redevelopment/ release potential); lease events; and energy efficiency
  - Running costs – utilities; non-domestic rates; lease costs; and income.
- 3.3.6 In order to inform a schedule of properties to be released, early due diligence will be undertaken to understand the likely re-use/ redevelopment opportunities, value and any potential constraints. This will ensure that we have an identified divestment strategy for buildings which are to be released.
- 3.3.7 As part of the service review process being undertaken across the Council, there are a number of estate implications which are likely to emerge. This may open up new opportunities around the use of our estate and the rationalisation approach adopted, to ensure we maximise the utilisation of our buildings and that our decisions about which properties to release takes into account all of the considerations outlined above. As these proposals mature they will be subject to further reports at the appropriate time and be included in any schedule.

3.3.8 To support our forward estate planning an Estate Management Strategy is being prepared which is currently being updated to reflect the way in which our approach and the wider opportunities have changed in light of the COVID-19 pandemic. This will be brought back to Executive Board for approval.

### **3.4 Remodelling the Estate**

3.4.1 Whilst increased levels of home working will become embedded, the work from home survey has identified that many staff will look to our workspace to support collaboration, face to face interactions and training and development. As such, our workspaces will need to be remodelled to ensure that spaces are as flexible as possible with less formal desk space. We are therefore seeking to identify how new areas of collaboration space can be brought forward and the appropriate balance between different types of workspace environments or zones can be achieved:

- Collaboration/ huddle/ events
- Group work/ meeting space (formal and informal)
- Desk space
  - o quiet working
  - o touch down
- Confidential working/ telephone calls

3.4.2 The effective rationalisation of the estate can only be successful if supported by investment into our retained buildings to ensure that they are of an appropriate standard and are fit for purpose. Recognising the need to keep costs low, we are targeting delivery of some test space (or spaces) to deliver the zones referred to above, within Merrion House in early autumn. This will allow us to engage with staff about the spaces delivered, before rolling similar principles out to other buildings in late 2020/ 2021. The aim is to create greater flexibility across our estate so that teams can meet in the most accessible and appropriate building, rather than being fixed on one location. This will also include an electronic space booking system to ensure all of our workspaces are used fully and flexibly.

### **3.5 Capital Receipt Programme**

3.5.1 The Council has for a long time had a programme of proactive disposals of its surplus properties, and over the last 20 years has generated in excess of £0.5bn which has been used to help the Council to support the delivery of front line services. The Capital Receipts Programme was extensively reviewed in 2019 and an accelerated plan was adopted in February 2020 to meet the MTFP requirements. Following targeted work over the past six months there is currently a high proportion of sites with identified purchasers.

3.5.2 As part of a further review of the programme, it is now proposed to make greater use of property auctions to provide greater certainty around the timescale of completing disposals. Work has commenced in targeting a series of three scheduled auction dates for the remainder of this financial year in October, December and February, which should auction bids be achieved above the set reserve price, would ensure the sales complete within this financial year.

3.5.3 As a number of the properties are being accelerated, due diligence is being undertaken with Legal Services, Planning, Asset Management and Service Directorates (securing vacant possession) to prepare the properties for auction and

the necessary supporting documentation that has to be supplied as part of the auction packs. These checks which are still ongoing and the issues which arise will dictate the timing of which of the three dates properties will be offered.

- 3.5.4 The auction programme is being prepared and the first tranche of properties is noted in the confidential appendix 2 which are targeting an October 2020 Auction date.

## **4. Corporate considerations**

### **4.1 Consultation and engagement**

- 4.1.1 In June, the Council has undertaken a survey of all 8,000 staff who were working from home. Over 5,000 responses were received. As set out in the main section of this report, further engagement is proposed with specific cohorts of staff and more targeted discussions are planned to ensure we get a more detailed view of the specific opportunities and challenges that people are facing and embracing.
- 4.1.2 The Executive Member for Resources has been consulted on the rationalisation and remodel approach. All Directorates within the Council have also been consulted and engaged with the broad rationalisation approach, with discussions now moving onto the implications of Service Plans and how this will be reflected in Directorate Asset Forward Plans.
- 4.1.3 Where buildings are being considered for permanent operational closure, work with Directorates is taking place to facilitate vacant possession and ensure any specific activities which have particular processes, equipment or building requirements can be resolved to avoid service delivery impact. Through a coordinated governance approach working with Human Resources, early consultation and engagement will take place with Trade Unions about potential changes to our estate and associated working practices.
- 4.1.4 Ward members will be consulted on any property disposals and should any development proposals be brought forward by new owners which require planning consent, there is a statutory period of consultation required as part of the planning process.

### **4.2 Equality and diversity / cohesion and integration**

- 4.2.1 An Equality Diversity Cohesion and Integration screening form has been completed. Whilst there are no specific EDCI impacts resulting from rationalisation approach as these will be considered by services, any building changes have the opportunity to enhance EDCI. The building changes delivered to date, including those seen as part of the refurbishment of Merrion House has established some clear principles around the facilities provided across our city centre estate and it is proposed to roll these out in an appropriate way as the rationalisation programme progresses and any refurbishment works are undertaken.

### **4.3 Council policies and the Best Council Plan**

- 4.3.1 The Council's land and buildings facilitates a range of service delivery and therefore contributes to the objectives, outcomes and priorities set out in the Best Council Plan, Inclusive Growth Strategy and Health and Well Being Strategy. The rightsizing and remodelling of the Council's estate supports the Best Council ambition to be 'an efficient, enterprising and healthy organisation'.

#### Climate Emergency

- 4.3.2 One of the key drivers of our estate management approach is to reduce the carbon footprint of the Council's buildings. Currently approximately 60% of the Council's carbon footprint is associated with its buildings and through the priorities set out in the Asset Management Plan, one of which is specifically focused on the climate agenda, the Council seeks to make efficient use of its buildings and reduce the size of its estate. Through this work, we will ensure that services are appropriately located to minimise staff travel adding to further carbon reductions.
- 4.3.3 As part of the rationalisation programme, there will be a need to deliver some investment into our existing estate. Where the Council is refurbishing properties to be held on a long term basis, energy audits will be undertaken to inform works to reduce the carbon footprint of individual buildings. This is already being progressed for some of the buildings such as the Civic Hall, Leeds Town Hall and Unit 6 Waterside which was acquired in 2019 to support the relocation of Assisted Living Leeds from their current site on Clarence Road.

### **4.4 Resources, procurement and value for money**

- 4.4.1 Ensuring that the Council has an efficient, well utilised and affordable estate is a driver of the Estate Management Strategy and a number of the priorities set out in this paper contribute to this objective. Through the estate rationalisation process which will be achieved through more flexible use of our accommodation, we are seeking to reduce running costs associated with buildings as well as maintenance liabilities. However, it is important to note that it will be important to make investment into our retained estate to ensure that it is fit for purpose, appropriately maintained and sustainable.
- 4.4.2 The Council's Capital Receipt Programme has been crucial to supporting the delivery of front line service provision. The acceleration of disposals in the current financial year will help to bring much needed income into the Council with disposals in future years supporting the medium term financial strategy.

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

- 4.5.1 Where there is an intention for part of an Executive Board report/appendix to be designated as being exempt from publication and considered by the Board in private, then there is a requirement to publish a notice providing relevant details of the matter 28 clear calendar days before the meeting. For this Executive Board, the notice was published 27 clear calendar days before the meeting. This was due to an administrative error on the part of Governance Services. In circumstances where the notice period has not been met, an exempt appendix can only be considered in private if the relevant Scrutiny Chair agrees that the matter is urgent and cannot reasonably be deferred.

- 4.5.2 In adhering to such requirements, the agreement of the Chair of the relevant Scrutiny Board (Infrastructure, Investment & Inclusive Growth) has been confirmed that the matter is urgent and cannot reasonably be deferred. This is on the grounds that the proposals detailed in the report are a key part of the Council's financial planning for addressing current and future budget pressures, which alongside the significant changes to the way people work, have necessitated the need to review the Council's operational estate – which given the financial challenge being faced by the Council, are matters which cannot be delayed. Also, the proposals in the report will look to save running costs, responsive maintenance costs and backlog maintenance pressures, and in terms of the accelerated capital receipt programme, given that auction dates of October onwards are being targeted, in order to keep this schedule on track, the consideration of this report at 24 September Executive Board is urgent and cannot reasonably be deferred to the next scheduled meeting (21 October)'.
- 4.5.3 The information contained in the Confidential Appendix 2 attached to this report relates to the financial and business affairs of the Council. 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. It is considered that 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.

## **4.6 Risk management**

- 4.6.1 There are a number of risks associated with the delivery of estate rationalisation. Firstly, to ensure that a robust evidence based approach is taken to future estate decisions, there is a substantial amount of data which must be brought together. Whilst much of this exists, it is dispersed across a number of systems and as such a process of bringing this together and data verification is underway. There is however a risk that some of the data required may be difficult to identify or verify and that without improvements to the IT systems which hold our estate information, it will impact upon our decision making abilities and the future management of our retained estate.
- 4.6.2 Delivering changes to and rightsizing the Council's estate is dependent upon wider policy changes and implementation to ensure that staff can effectively work from home or in more agile ways. In addition wider service delivery changes will be critical to maximising the extent of rationalisation possible.
- 4.6.3 Whilst the Council has a substantial estate, it is limited given the variety of competing needs, service requirements and priorities. This is a constant issue when reviewing the future use of land and buildings and new processes are being embedded to ensure that decisions are made in an appropriate and timely way.
- 4.6.4 Finally, there is the potential for local sensitivities regarding possible building changes, closures and disposals. Whilst the Council may not be able to utilise buildings, local attachment to buildings is understood and there is a commitment to early ward member engagement to understand these sensitivities and to help to identify solutions which can be supported locally.

## **5 Conclusions**

- 5.1 The Council must rightsize its estate in light of changes to the way we work and service delivery changes proposed to be implemented over the coming years.
- 5.2 Work is already underway to progress further estate rationalisations and a phased programme of properties identified for closure has been identified. These will be progressed working with services and staff as well as ward members as properties come forward for disposal.
- 5.3 This as well as accelerating a number of property disposals supports both the short and medium term financial plans by reducing our cost base and increasing income.
- 5.4 A first tranche of operationally surplus properties will be taken to auction as part of the Capital Receipt Programme, with a view to completing disposals by the end of the current financial year. This is in addition to disposals which are already at an advance stage.
- 5.5 Further engagement with staff is to be undertaken to ensure we strike the right balance between home working and working from office locations, and to ensure that staff are supported with the appropriate levels of equipment to ensure that home working is effective and safe.

## **6 Recommendations**

- 6.1 Executive Board is asked to:
  - i. Support the approach proposed to rationalise and remodel the estate.
  - ii. Agree to the acceleration of the Capital Receipt Programme through a targeted number of disposals by auction and through one to one negotiations, with the first tranche of properties as set out in Confidential Appendix 2 to be taken to auction in October, and to note that a further report detailing additional properties to be included in the Capital Receipt Programme will be brought back to Executive Board.
  - iii. Note the work ongoing to explore opportunities to extract additional value from the Council's estate as set out in Confidential Appendix 2
  - iv. Note that the draft Estate Management Strategy will be brought to Executive Board at a later date.
  - v. Note that the rationalising workstream is ongoing and further reports will be presented throughout the course of the workstream.
  - vi. Note that the disposal of properties and bringing forward an updated Estate Management Strategy which reflects the Council's future operational requirements is the responsibility of the Director for City Development.
  - vii. Note the engagement work so far with staff on both the current and future working from home which will be overseen by the Director for Resources and Housing.

## **7 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.