

**Report of Director of City Development**

**Report to Executive Board**

**Date: 18<sup>th</sup> November 2020**

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

Are specific electoral wards affected?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If yes, name(s) of ward(s): Beeston and Holbeck; Burmantofts and Richmond Hill; Hunslet and Riverside; Kirkstall	
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?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If relevant, access to information procedure rule number: 10.4 (3)	
Appendix no: 2 and 3	

**Summary**

**1. Main issues**

- Executive Board in September agreed the approach presented to rationalise the Council's property estate and accelerate the disposal of properties. This was followed by a report in October which set out a series of properties to be disposed of by auction.
- This report sets out a further schedule of properties which are to be progressed as a further tranche of accelerated disposals targeting auction. In addition it sets out the proposed disposal of a number of investment properties at Logic Leeds following the acquisition of the units on a speculative basis and their subsequent successful letting. Finally, details of the properties being considered as part of the phase 1 Core Office review are set out in confidential appendix 3.
- The release of properties will support the Council's financial position both in the form of cost savings and income generation to the Capital Receipts Programme, but will also ensure that our estate is appropriate in both form and size to support ongoing service delivery.

**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**

- Having an affordable estate is essential to supporting the Council's budget position. Reducing the size of the estate will therefore support the aim 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 disposal of properties brings additional income into the Council in the form of capital receipts, which will help to support the Council's Medium Term Financial Strategy.

### **Recommendations**

Executive Board is asked to:

- i. Support the accelerated disposal of property set out in Table 3.1 which have already been agreed as part of the Capital Receipt Programme.
- ii. Agree to progress the disposal of four industrial units at Logic Leeds from the Council's investment portfolio following completion of the final letting, noting the details set out in confidential Appendix 2. 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.
- iii. Note the recent work undertaken by Kirkstall Valley Development Trust at Abbey Mills and agree to the property being disposed by formal tender.
- iv. Support the progression of work to vacate and release the properties set out in confidential Appendix 3 which are included within phase 1 of the Core Office Review.
- v. Note that the proposed disposal of properties set out in confidential appendix 3 will be the subject of future reports seeking approval for disposal.
- vi. Note that the disposal of properties and identifying the strategic approach to our estate is the responsibility of the Director for City Development.

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

- 1.1 This report follows on from the reports presented to Executive Board in September and October 2020 regarding the approach to Estate Realisation and generating Capital Receipts. This report provides more details of the proposed next tranche of accelerated disposal properties which are targeting February auction dates, as well as properties being considered for release as part of phase 1 of the Core Office Review, and other vacant or void properties under review.

### **2. Background information**

- 2.1 Leeds City Council owns and operates a large estate of building and land assets as set out in the report to Executive Board in September 2020. As detailed in that report, there is a need for the Council's estate to be rightsized, ensuring that it is fit for purpose and meets the changing needs of the Council, but importantly that it is

affordable and sustainable. The proposed approach to estate realisation and the acceleration of property disposals was supported.

- 2.2 This paper builds upon the principles set out in September's report and the properties reported in October, and details the next tranche of accelerated disposals targeting February 2021 auction dates. It also sets out the properties under consideration as part of phase 1 of the Core Office Review, and other vacant or void properties under review.

### 3. Main Issues

- 3.1 There is a substantial amount of work ongoing to accelerate the disposal of properties surplus to operational requirements; reviewing the future of our operational estate; and undertaking work to secure vacant possession.
- 3.1.1 The Capital Receipt programme is reported to Executive Board on an annual basis and approved as part of the budget setting process at Full Council. In January 2020 this was reported with a total value of £95.9m. The Council has had a Capital Receipts Programme for over 25 years through which surplus assets have been disposed of, the funds from which have been used to support the delivery of a range of front line services.
- 3.1.2 Table 3.1 sets out a further property which is part of the approved Capital Receipts Programme and are proposed to be accelerated for disposal targeting the auction method. Accordingly, Ward Members have been aware of the intention to dispose of the properties as part of previous reporting to Executive Board and engagement has now been undertaken on the intention to dispose by auction.

Table 3.1: Property for Sale by auction

Site	Ward
Park Lees site, St Anthony's Road, Beeston (see plan at Appendix 1)	Beeston & Holbeck

- 3.2 In 2014, the Council entered into a put and call option with Muse Developments to bring forward the development of the first building at Logic Leeds within the Leeds Enterprise Zone which was an 80,000 sq ft industrial unit. This was a critical move in the delivery of the site which has seen the development of c1 million sq ft of new employment floorspace. The first unit to be developed was let to Amazon by Muse Developments and the Council subsequently purchased the property as an investment in 2016. This was followed by the Council purchasing a further three units totalling c100,000 sq ft on a speculative basis. All three units have now been let, which accompanied with the strength of the industrial/logistics market makes it a good time to bring forward the disposal of this investment and create a surplus to support the Council's Medium Term Financial Plan. Selling the four units together will create a lot size that is expected to attract interest from the main pension funds. An external agent will be appointed to market the site and secure interest. More

detail in relation to the forecast receipt and financial position around these properties is included in Confidential Appendix 2.

- 3.3 Abbey Mills in Kirkstall is a Grade II listed former mill property which has historically sat within the Council's investment portfolio. With the exception of two remaining tenants who occupy space within buildings on the entrance to the site, the main mill buildings were last occupied in 2011. Prior to this time, options were being considered to dispose of the property or secure alternative uses, and since the properties became vacant a wide range of options and delivery approaches have been considered. Most recently Kirkstall Valley Development Trust (KVDT's) has explored the potential to refurbish the premises for a mix of community space and affordable housing and were granted with c£250,000 of funding from Homes England to support this feasibility work.
- 3.3.1 Unfortunately as a result of the work undertaken which has included building condition surveys, planning/ design work and financial modelling, the trust have concluded that they are not able to progress with a scheme due to the amount of grant funding that they would have required to support their delivery and operational model. It is with regret therefore, that the Council must now seek to dispose of the property on the open market through a tender process. A market sounding exercise undertaken in 2017 prior to KVDT's involvement suggests that there would be good interest in the property and work undertaken by KVDT including a planning pre-application submission has determined that there is scope for a transformative scheme to be delivered and options to improve the existing vehicular access and egress to the site which is a key area of concern. Whilst not a requirement of submissions, KVDT are keen to work with bidders should there be space made available for community uses. It is anticipated that marketing will commence in early 2021.
- 3.4 As set out to Executive Board in September a series of properties are being considered for release as part of the Core Office review with a working target of a 50% reduction of this part of our estate. This is being supported by the Council's work from home approach. The release of our office estate will take place on a phased basis. Confidential Appendix 3 sets out the properties which are proposed for inclusion as part of phase 1 and being progressed for release by the end of the 2020/21 financial year. Work is underway with the services who have previously occupied these buildings to allow them to make more flexible use of our wider estate and address any specific requirements to ensure that the release of the property does not compromise service delivery. These properties are not yet included within the capital receipt programme but are anticipated to come forward for disposal in the timescales set out in the schedule with work already ongoing in readiness for marketing.

## **4. Corporate considerations**

### **4.1 Consultation and engagement**

- 4.1.1 The Executive Member for Resources has been consulted on the realisation and disposal approach set out in this paper. Ward Member engagement has been undertaken in relation to the property set out at 3.1 in addition to the properties included within the confidential appendix.

4.1.2 There has been a great deal of engagement with Kirkstall Ward Members in relation to Abbey Mills over many years. There has been a great deal of aspiration to see a community led scheme come to fruition. Members have been briefed on the proposal to dispose of the property by formal tender and whilst being disappointed that we have reached this position, understand the need to sell but support reference being made in the marketing particulars to the work undertaken by KVDT and continued interest in delivery of a community facility if viable as part of an overall scheme.

## **4.2 Equality Diversity Cohesion and Integration**

4.2.1 An Equality Diversity Cohesion and Integration screening form has been completed and can be found in Appendix 4. Whilst there are no specific EDCI impacts resulting from wider rationalisation approach as these will be considered by services, any building changes have the opportunity to enhance EDCI.

## **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 and rightsizing our estate. 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 The release of properties and generation of additional capital receipts supports the Council's budget proposals and speaks across to the report elsewhere on this agenda regarding the Revenue Budget Update 2021/22 and budget savings proposals.

4.4.2 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.

- 4.4.3 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 The information contained in appendices 2 and 3 of this report is intended to be designated as being exempt from publication and considered in private as it 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 from publication 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 being exempt from publication under the provisions of paragraph 10.4(3) of the Council's 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. The main risk to the delay of completion on any sale which will therefore create holding costs to the Council. The proposed disposal properties are all surplus to operational requirements and are to be offered for by way of auction for sale. This is to provide certainty on the timescale of completion of the sale; to provide certainty to the receipt generated and to minimise the ongoing costs to the Council of holding the properties.
- 4.6.2 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 an ongoing ward member engagement to understand these sensitivities and to help to identify solutions which can be supported locally.

### **5 Conclusions**

- 5.1 This report follows the reports to Executive Board in September and October which set out the proposed approach to estate realisation and accelerated disposal of properties.
- 5.2 This paper has provided additional detail in relation to the third tranche of properties being progressed for accelerated disposal targeting a February auction date, in addition to further disposals being brought forward in the form of industrial units held as part of the investment portfolio at Logic Leeds, as well as Abbey Mills in Kirkstall

following conclusion of feasibility work undertaken by Kirkstall Valley Development Trust which indicates that their aspirations for the property could not be realised.

5.3 The paper has also provided additional detail around the first phase of the core office estate review.

5.4 Further reports will be presented to Executive Board in due course to provide updates on this area of work whilst also setting out further estate realisation opportunities.

## **6 Recommendations**

6.1 Executive Board is asked to:

- I. Support the accelerated disposal of properties as set out in Table 3.1 which have already been agreed as part of the Capital Receipt Programme.
- II. Agree to progress the disposal of four industrial units at Logic Leeds from the Council's investment portfolio following completion of the final letting noting the details included in Confidential Appendix 2. 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.
- III. Note the recent work undertaken by Kirkstall Valley Development Trust at Abbey Mills and agree to the property being disposed by formal tender.
- IV. Support the progression of work to vacate and release the properties set out in confidential Appendix 3 which are included within phase 1 of the Core Office Review.
- V. Note that the proposed disposal of properties set out in confidential appendix 3 will be the subject of future reports seeking approval for disposal.
- VI. Note that the disposal of properties and identifying the strategic approach to our estate is the responsibility of the Director for City Development.

## **7 Background documents<sup>1</sup>**

7.1 None.

## **8 Appendices**

8.1 Appendix 1 – Plan of Park Lees Site

8.2 Appendix 2 – Logic Leeds Property Values– Exempt under Access to Information Procedure Rule 10.4 (3)

8.3 Appendix 3 - Phase 1 Core Office Review – Exempt under Access to Information Procedure Rule 10.4 (3)

8.4 Appendix 4 - Equality, Diversity, Cohesion and Integration Screening

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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.