

Report of Director of City Development

Report to Executive Board

Date: 10th February 2021

Subject: Accelerated Capital Receipts and Estate Rationalisation

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

Summary

1. Main issues

- The Council's Capital Receipt Programme seeks to dispose of surplus properties to support the Council's budget position. The programme has been ongoing for 30 years and has generated in excess of £500m over this period.
- Given the Council's budget position and impact of the COVID-19 Pandemic, Executive Board in September 2020 agreed the approach presented to rationalise the Council's property estate further, and accelerate the disposal of properties. This was followed by reports in October and November which set out a series of properties to be accelerated to disposal of by auction.
- This report provides an overview of the Capital Receipt Programme and seeks approval to include further properties in the programme which are being released through contraction of the estate.
- 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 facilitate 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. Note the content of the report providing an update on the Capital Receipts Programme and the schedule of properties outlined in Appendix A as the Council's Capital Receipts Programme of surplus properties for disposal over the next 5 years
- ii. Note previous key decisions which have been taken in relation to the disposal of assets as set out at paragraph 3.1.
- iii. Approve the accelerated disposal of the properties contained in Table 3.1 via auction.
- iv. Approve the addition of the properties contained in Table 3.2 into the Capital Receipts Programme
- v. Approve the removal of properties from the Capital Receipt Programme as set out in paragraph 3.7.

1. Purpose of this report

- 1.1 This report provides an update on the Council's Capital Receipt Programme and seeks support to continue with the disposal of the properties included within the schedule attached at Appendix A. The report also seeks approval to the acceleration of properties from future years of the programme and addition of new properties being released through estate realisation.

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 The Capital Receipt Programme was established in 1990 and since this time has generated in excess of £500m to support the Council's budgets. Rightsizing of the estate will provide savings and the receipts generated through the disposal of

surplus assets will support the Council's financial position as we respond to the overarching financial pressures and the impact caused by the COVID-19 pandemic.

3. Main Issues

- 3.1 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 and a key decision was taken to support the continued disposal of properties included within the report. Further key decisions were taken in September, October and November 2020 to both accelerate the disposal of a number of properties already included within the programme, and add additional properties to the programme for disposal.
- 3.2 Since January 2020 further sales have been completed realising capital receipts totalling £11.573m. These disposals included Park Farm, Colton; Armley Grange, Armley; Richmond Hill Leisure Centre; Ashfield Works, Otley; Bramham House, Bramham; Shire View, Headingley; which contributed £6.9m to the £11.573m total. The accelerated disposal by auction of Otley Civic Centre, Guiseley Library, Royal Park Primary Caretaker's House, Potternewton East Lodge and 100 Town Street Armley contributed £1.677m to the total.
- 3.3 Appendix A to this report details the full programme of capital receipts disposals for five years from 1 April 2019. Appendix B, designated confidential under access to information procedure rule 10.4.3, is the same full programme including capital receipts realised for sales already completed or anticipated for future disposals. To summarise the programme, it is currently predicted a total of £112.1m could be realised over the 5 year programme, comprising:

Year	Capital Receipt
20/21	£21.92m
21/22	£37.10m
22/23	£14.30m
23/24	£13.34m
24/25	£19.19m
Other Misc Receipts	£6.29m
Total	£112.1m

- 3.4 At the time of this report the annual capital receipts predictions are based on the current positions of live sales and capacity within City Development to commence work on other sales in future years. It is common with any property disposal that unforeseen circumstances arise. The property market can be very quickly affected by wider economic event resulting in funding being withdrawn at short notice. Purchasers may not be able move matters along as quickly as would be liked, or withdraw from acquisitions, which results in target completion dates not being achieved. The Programme is under constant review and to remain an accurate prediction of capital receipts income it is necessary to move properties between years. The overall total may not change, but in the circumstances of having to completely withdraw a property the five year total will be reduced if replacements are not found.

- 3.5 Accelerating the disposal of properties was recommended to Executive Board in January 2020. The five year programme was reviewed and it has been possible to accelerate the disposal of 7 properties from future years. Of those 7, the sales of 3 have been completed to date adding £0.4m to the total receipts total in 20/21. Since January 2020 it has been possible to add a further 24 properties arising from further asset rationalisation, and advancing the disposal of others which did not previously feature in the five year programme. Of those 24 properties, 14 disposals have already been completed adding a further £2.823m to the total receipts currently realised in since January 2020.
- 3.6 Four key properties are included in the programme with an estimated value of £65.95m. In addition Executive Board in November 2020 agreed to the marketing of Trilogy and Building 1 at Logic Leeds which are included within the Council's Prime Investment portfolio with a decision about disposal to be taken once offers are received. The four primary properties are:

Property	Current Position	Capital Receipt Year
Redhall, Wetherby Road	Purchaser selected, contracts to be exchanged shortly and purchase preparing planning application.	21/22 for first of four phased payments.
Two sites within East Leeds Extension	Concluding negotiations for exchange of Option Agreements with house builders.	23/24 onwards.
Lisbon Street	A preferred developer has been selected and it is envisaged that a contract will be exchanged by end of February 2021.	21/22 for first of three phased payments.

- 3.7 The Capital Receipts Programme approved by Executive Board in January 2020 included property that had been allocated for development in the Site Allocations Plan. The sites at Alwoodley Lane (Alwoodley), Colton Road East (Colton) and Sissons Farm (Middleton) had previously been allocated greenbelt. These sites had an anticipated value of £16.75m in the Programme. The challenge to the re-allocation of greenbelt sites within the Site Allocation Plan has been determined with these sites remaining allocated as greenbelt and it is therefore proposed to withdraw them from the Programme with the consequential reduction in overall anticipated capital receipt total. In addition to these sites being withdrawn from the capital receipts programme five further properties with an estimated total value of £485,000 have also been withdrawn. These properties are shown on the appendices in the 'Withdrawn Properties' section, and were withdrawn following detailed considerations with determined some were required for Council initiatives such as council house new build, or were eventually found to be unsaleable.
- 3.8 Table 3.1 sets out two further properties which are 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's proposed to be accelerated for sale by auction

Property	Ward
Harehills Park Cottages & Development site	Gipton & Harehills
Carr Manor Cottages 1 & 2	Moortown

- 3.9 Table 3.2 sets out additional properties proposed to be included within the programme. These have been made available through the Estate Rationalisation approaches agreed by Executive Board in September 2020. Further properties will be added into the Capital Receipt Programme under existing delegations over the course of the coming year, as they become surplus to requirements through our work to reduce the size of our estate.

Table 3.2:

Site	Ward	Most Recent Use	Proposed disposal year
Woodsley Green Offices Woodsley Green, Woodhouse, LS12 3SU	Little London & Woodhouse	Office accommodation for Adults and Health staff	21/22
South Pudsey Centre Kent Road, Kent Road, Pudsey, LS28 9HG	Pudsey	Children's and Families office accommodation	21/22
Millshaw Offices Millshaw Park Way, Beeston, LS11 0LS	Beeston and Holbeck	Office accommodation for Environmental Services	21/22
3-5 The Green, Horsforth	Horsforth	Horsforth Museum and vacant building	20/21
Land at Viaduct Road (to rear of former Thyssen Krupp site)	Little London and Woodhouse	Currently a site compound for FAS2 but available for disposal once vacated	22/23

- 3.10 The Millshaw Office listed above, forms part of the White Rose Office Park area for which Munroe K, Shroders and Landsec are bringing forward plans for investment and redevelopment along with the Millshaw Industrial Estate. Their aim is to provide a workplace of the future benefiting from the delivery of a new White Rose railway station, improved connectivity with nearby communities, and facilitating the delivery of a range of other facilities for employees in the area and local residents. The Council is working with the developers and landowners to support their scheme including specific discussions about the role that the Council's Millshaw Office

accommodation will play. Negotiations are taking place and it is anticipated the sale could be completed in financial year 21/22, although it could be sooner.

- 3.11 3-5 The Green at Horsforth has been the subject of negotiations with Horsforth Town Council in relation to the leasehold sale of the property on a restricted basis to continue the use of the museum as well as provision of accommodation for the Town Council.
- 3.12 A range of disposal methods are employed to secure the sale of properties included within the Capital Receipts Programme. This includes sale by formal tender, auction and 1-2-1 negotiations. The disposal route is dependent upon the type and size of property being disposed and the complexity of issues that need to be resolved prior to disposal. Over recent months the Council has taken a number of properties to auction which have successfully sold. Whilst a number of the properties sold in this way have achieved values in excess of anticipation, this may not always be the case, but they do provide certainty around disposal timescales. This is therefore a disposal route which will be employed more readily where appropriate in the future.
- 3.13 Where there are more complex issues to sell, sale by informal tender is a more appropriate disposal route whereby the sale can be subject to a range of conditions including planning. This route often affords less certainty around the timescale for completion and as such means that in some cases the timescale for completion slips into subsequent financial years. Property disposals are managed by the Council's Land and Property Team, and there is a proactive approach taken to working with purchasers through planning and other legal issues to maximise the ability to deliver receipts within their forecast year.

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 and the Capital Programme specifically.
- 4.1.2 Ward Member engagement has been undertaken in relation to both the properties identified for accelerated disposal as set out in Table 3.1 and the additional properties proposed for inclusion with the Capital Receipt Programme as set out in Table 3.2. No concerns have been raised.

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 C. 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 and Leeds Town Hall where energy efficiency improvements are being made including connections to the city's district heat network, 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 overall budget 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 and continued delivery of the programme in future years will help to bring much needed income into the Council supporting the medium term financial strategy. Elsewhere in this agenda is a report from the Chief Officer Financial Services, Resources & Housing providing Capital Programme Update 2021 – 2025. Release of properties and realisation of capital receipts is an important source of income to support the Capital Programme.
- 4.4.4 Members are asked to note the Council's Capital Receipts Incentive Scheme will apply to those properties in the Capital Receipts Programme other than those which are specifically excluded.

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

- 4.5.1 The information contained in appendix B 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 property 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. Selling in this way assists in mitigating the corporate risk associated with Council budget, in particular the mid-year budget, as the generation of capital receipts from the disposal of surplus property provides a source of funding for the budget.
- 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 and provides an update and overview of the Council's Capital Receipt Programme including the properties included for disposal in future financial years.
- 5.2 The paper has also provided detail around some of the key properties coming forward for disposal.
- 5.3 Finally, the paper sets out those properties proposed for accelerated disposal via auction as well as those being introduced to the programme as a result of the Estate Realisation plans being realised.

6 Recommendations

- 6.1 Executive Board is asked to:
- i. Note the content of the report providing an update on the Capital Receipts Programme and the schedule of properties outlined in Appendix A as the Council's Capital Receipts Programme of surplus properties for disposal over the next 5 years
 - ii. Note previous key decisions which have been taken in relation to the disposal of assets as set out at paragraph 3.1.
 - iii. Approve the accelerated disposal of the properties contained in Table 3.1 via auction.

- iv. Approve the addition of the properties contained in Table 3.2 into the Capital Receipts Programme
- v. Approve the removal of properties from the Capital Receipt Programme as set out in paragraph 3.7.

7 Background documents¹

7.1 None.

8 Appendices

8.1 Appendix A – Capital Receipt Programme

8.2 Appendix B – Capital Receipt Programme financial profile – confidential under Access to Information Rule 10.4(3)

8.3 Appendix C - Equality, diversity, cohesion and integration screening

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.