

Estate Management Strategy

Date: 17 November 2021

Report of: Director of City Development

Report to: Executive Board

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

What is this report about?

Including how it contributes to the city's and council's ambitions

1. Leeds City Council is the largest property owner in the city and 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 c800 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 consist 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. The Council last prepared an Asset Management Strategy in 2014. This set out key principles around the how the Council would manage its assets to achieve its strategic outcomes, work with partners across all sectors to make best use of land and buildings, and ensure the estate is efficiently used and where appropriate rationalised.
3. Whilst much of this document remains relevant, the COVID-19 pandemic has accelerated a number of trends including changes to the way we work, the way services are delivered and therefore the way we use our estate. Whilst the initial periods of lockdown enforced home working for 8,000 desk based staff, through staff surveys conducted over the course of the last 16 months, the appetite from many staff to continue to work in a more agile way balancing time with colleagues in Council buildings, along with working from other locations including home, to get the right balance to support service delivery requirements, the recognised benefits of face to face interaction, and the learning and development that coming together with teams and colleagues brings.
4. Taking onboard the survey responses, the Council has adopted a gradual approach to the reintroduction of staff back into workspaces over the summer, although it is also acknowledged that many staff have been regularly coming into the Council's buildings throughout the pandemic due to the nature of the work and need to provide important front line services to residents. Staff are encouraged to work in an agile way coming into the Council's workspaces regularly to meet with their teams and collaborate. However, this will

be different for individual members and staff and teams and as such a fixed ratio of days working from home vs those in Council buildings has not been applied.

5. Our workspaces are being remodelled to provide more collaboration and informal work spaces and staff are encouraged to make more flexible use of a full range of Council buildings across the city, although each team has been allocated a Teamzone which is their main work base. At the time of writing, the requirement for social distancing and other measures introduced through the Pandemic have been relaxed in line with government guidance which is allowing higher building capacities to be achieved. This position will continue to be monitored against up to date Government advice and any covid regulations that come into force,
6. The pandemic has increased the financial pressures that the Council is facing compounded by the Council's underlying financial position resulting from successive government funding reductions, and therefore a new Estate Management Strategy has been prepared for the period from 2021 to 2025. It sets out the way in which the Council will strategically plan and manage its land and property assets to ensure that it fulfils all of its priorities and to enable the people, the city and its businesses to thrive. The document sets out the vision and a number of priorities and objectives. An implementation plan which will be a live document setting out the changes to our estate has been created and will be maintained by Strategic Asset Management.
7. It should be noted that the strategy covers the Council's operational and investment estate, but importantly does not cover schools or its housing assets which are guided by separate strategies.
8. 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 changes. Specific work is currently taking place with the Children's and Families Directorate to meet service requirements, some of which is being undertaken on an invest to save basis, through the provision of more appropriate and better quality accommodation which in turn allows the release of buildings in poorer condition. Examples include the delivery of the new depot facility at Newmarket Approach in Crossgreen which will replace tired and dated facilities at Knowsthorpe Way. 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.
9. We have defined an ambitious working target of a 50% reduction of our core office estate. In addition, we anticipate that service reviews will identify additional opportunities as we seek to ensure that all of our buildings are appropriately utilised, supporting both the user and customer experience.
10. Given the size and geographic spread of our estate we have an opportunity to transform it to support radically different service delivery models, culture and ways of working. The City Centre has always been seen as the core focus of our office estate, but has been considerably reduced from 13 properties to the 3 we have today; Enterprise House; Merrion House and the Civic Hall. However, 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 centres if there is a greater throughput of staff in these locations for both desk based, meeting and collaboration activities.
11. The more flexibility that 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 open up the scope to rent out spaces and support greater collaboration with partners, community groups and other organisations, therefore creating income generating opportunities and further enhancing partnership working and improved outcomes for communities and residents.

Equally, it may be possible that we can use our partners' estates where requirements and decision making is aligned and efficiencies can be gained.

12. The strategy is underpinned by the Council's 3 pillar strategies Inclusive Growth Strategy; Climate Emergency and Health and Wellbeing Strategy, and responds to the Best Council Plan which will become the City Ambition, with 5 guiding principles identified to inform future planning and management of the estate:

- **A fit for purpose and modern estate**

- Setting out how our estate will be rightsized to meet service need, but also support the Council's budget position in future years. Reducing the size of our operational estate will help to reduce the Council's carbon footprint but can also help to support town and district centres as we remodel buildings in localities to make them available for more staff to use, increasing footfall and spend in local businesses. Digital infrastructure across our estate will be essential to support 'hybrid' working with the Leeds Full Fibre programme currently delivering fibre connections to each operational Council building. The need to provide fit for purpose accommodation and invest in facilities such as our depots, from which important front-line services are provided is recognised. A depot review is underway and will be reported to Executive Board in 2022 setting out the anticipated changes required and associated investment.
- The Council has made substantial progress in transforming its estate reducing the number of city centre buildings from 13 to 3. We have also good progress in the release of other underutilised buildings such, as Navigation House at Stourton, which was handed back to our landlord in 2020. Earlier in the year and in light of our changing requirements, the Council vacated St George's House in the City Centre and transferred the property into our Investment Portfolio and successfully leased it out to the Global Banking School. This not only delivered operational savings but also now generates an income providing a net benefit of in excess of £1m per annum to the Council.

- **A well managed and maintained estate**

- Bringing together investment plans into our retained buildings is essential to ensure that they are well maintained. Equally, having the appropriate arrangements in place for the day to day management of buildings is important to ensure that they are safe and that all statutory requirements are being met. Investment into our retained buildings to reduce energy usage is essential and the Council will continue to seek funding, including from external grants to deliver works.
- This year, works have been taking place across the Council's operational and schools estate to deliver decarbonisation projects using £25m of grant funding through the Salix programme. This includes the installation of heat pumps, solar panels and other energy efficiency measures such as window and insulation upgrades including to some of our historic assets such as Leeds Town Hall. The Council has also been connecting its properties to the District Heat Network which continues to grow across the inner areas of the city, taking heat generated from the Recycling and Energy Recovery Facility in Crossgreen.

- **Working with partners**

- The Council has a strong record of working with partners, which extends to sharing our estate with partners and allowing our staff to work out of buildings owned by other organisations such as Leeds Community Health, the NHS, police and a range of third sector organisations. We will also work with

development partners to bring our surplus assets forward for development, supporting the regeneration and economic growth of Communities and the wider city.

- The Integrated Health and Social Care Hubs were delivered as part of the early rounds of the One Public Estate Programme, and further partnership working opportunities continue to be explored.

- **Maximising income from our portfolio**

- The Council's Capital Receipt Programme will continue to be an important source of income and over the last 20 years has generated in excess of £500m, supporting front line service provision. The Council also has a varied Investment portfolio which we will work to maximise the revenue that is generated through targeted investment into existing properties to improve their quality and condition as well as investment into new properties where this supports regeneration and economic growth.
- Between 2015 and 2018 the Council purchased four employment properties in Leeds Enterprise Zone, some on a speculative basis. This supported the growth and development of the Enterprise Zone as well as providing additional income to the Council to support the delivery of front line services following the successful letting of all units. Earlier in the year, the investment was brought to the market and the Council's interest was sold, providing c£14m of clear surplus to the Council.

- **Supporting the City's future**

- The Council is the largest landowner in the city and is therefore well placed to support the future growth and regeneration of the city as well as inward investment interests, which can see the delivery of new housing and jobs. Our estate can respond to and support the ambitions set out in the paper presented to Executive Board in September relating to the future trends and opportunities in both the City and local centres. Land at Libson Street is in the process of being sold which will support the regeneration and growth of this part of the city centre. In addition, the Council is actively working to bring forward new development opportunities to the south of Leeds Dock, through land assembly work and the relocation of Assisted Living Leeds to a property in Stourton which has been purchased by the Council.
- The Council also has a number of its own delivery programmes including the Council Housing Growth programme, for which we will continue to identify site opportunities and is already delivering new Council homes and specialist accommodation. Since June 2019, 457 new homes have been delivered or are currently being constructed including 176 new homes in Middleton..

13. The Council has a large number of Heritage properties within its estate, but we may not be the most appropriate owners of these important properties in the longer term. A review of our historic properties is underway to ensure that they have a purpose within the Council's estate and are well utilised. In some cases, it may be appropriate for the Council to dispose of buildings or partner others who are better placed to invest and provide the management and maintenance required, therefore providing a sustainable long term future and safeguarding the heritage of the city. Where the Council does retain historic properties, there is the potential to leverage external grant funding to support schemes which deliver long term sustainability for these important buildings.

14. Implementation of the strategy will be led by the Asset Management and Regeneration Service in City Development for strategic planning and delivery of new investment into our estate, and Facilities Management within Resources, providing hard and soft facilities management services. A Property Management Review has recently been concluded which has reaffirmed this position, transferring any property related services and functions being undertaken elsewhere in the Council into either the City Development or Resources Directorates.
15. Through bringing together a comprehensive data set of information about our estate including running cost, maintenance and condition information, an implementation plan will be established which sets out the future for each property from which the maintenance requirements and investment need can be determined. This will be particularly important for our heritage assets where we have additional statutory requirements.
16. The Council's Financial Procedure Rules form the basis for delegations around the estate with the Director for City Development responsible for decisions relating to the use and planning of the estate and the Director for Resources the decision maker for operational matters. This is underpinned by structured governance arrangements. Each Directorate has a Directorate Asset Management Group through which service changes and associated estate requirements are identified. These report to the Estate Management Group which brings these requirements together for wider debate and challenge and the Estate Management Board which includes senior representation from each Directorate to consider estate changes and management issues before delegated decisions are taken or reports are brought to Executive Board for consideration. For decisions which fall outside of these delegations or if proposals require wider consideration, reports will continue to be presented to Executive Board for consideration.

Recommendations

Executive Board is asked to:

- a. Approve the 2021-2025 Estate Management Strategy.
- b. Note the Director of City Development intends to develop and maintain an Implementation Plan which will set out the specific asset changes for the coming years, from which maintenance and management plans can be established.
- c. Note that further reports will be presented to Executive Board in relation to specific estate rationalisation proposals, along with the annual Capital Receipt programme update, and any other estate changes which fall outside of approved delegations.

Why is the proposal being put forward?

- 1 It is important for the Council to have an up to date Estate Management Strategy to guide the use, planning and management of the estate. The last strategy was prepared in 2014 and whilst many of the principles of that strategy remain, the Inclusive Growth Strategy, Health and Wellbeing Strategy and Climate targets, alongside operational changes emerging as a result of service delivery changes and trends which have been accelerated as a result of the COVID-19 pandemic.

What impact will this proposal have?

Wards affected:

Have ward members been consulted?

Yes

No

- 2 The Estate Management Strategy is a city-wide strategy which guides the use, planning and management of the Council's estate. This will underpin future decision making around individual properties.

What consultation and engagement has taken place?

- 3 The Executive Member for Resources has been consulted on the proposed new Estate Management Strategy. All Directorates within the Council have also been consulted through Corporate Estate Management Group and Corporate Estate Management Board. Each Directorate has also established an Asset Management Group and prepared an Asset Forward Plan which sets out their likely land and building requirements and will continue to underpin the implementation plan.
- 4 Resources and Strategy scrutiny board has also as part of its inquiry into reducing energy consumption within Council buildings and the approach to finding solutions for void properties. As part of both enquiries, the board were made aware of the Estate Management Strategy and the discussions of the board have informed the drafting of the strategy.

What are the resource implications?

- 5 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 guiding principles 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. The closure of the buildings already identified will deliver savings of over £4m over the next 5 years.
- 6 The Council's capital receipt programme has been crucial to supporting the delivery of front line service provision. In addition, the Council's Investment Portfolio is wide ranging and will be reviewed to maximise revenue through targeted investment into existing and new properties. The Council has a strong track record of making good asset management and investment decisions. Following investment into a number employment properties at Logic Leeds in the Leeds Enterprise Zone since 2016, some of which was made on a speculative basis, all properties were let and the investment sold in September generating a £14m surplus to the Council. In addition the conversion of St George House in the city centre from an operational office building into our Investment Portfolio has generated additional income and savings of over £1m.
- 7 A review of the councils' property management functions has recently been undertaken. This has aligned strategic functions into Asset Management and Regeneration within City Development and Facilities Management within the Resources Directorate.

What are the legal implications?

- 8 An Equality Diversity Cohesion and Integration screening form has been completed. Whilst there are no specific EDCI impacts resulting from the strategy, the preparation of the preparation and delivery of the implementation plan could have impacts upon different groups dependent upon the buildings within scope, the services being provided and staff involved. As such, as part of any service change, there is a clear process which has been embedded to ensure that EDCI

considerations are appropriately considered. 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.

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

- 9 There are a number of risks associated with the implementation of the strategy. 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. The Council's Integrated Digital Service has been reviewing our existing asset and estate management tools with a view to moving towards the delivery of a new Enterprise Estate Management system which will improve the storage, sharing and access to information in relation to our estate which will improve decision making and future management.
- 10 Delivering changes to and rightsizing the Council's estate is dependent upon wider policy and cultural changes 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.
- 11 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.
- 12 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.
- 13 Finally, the use of some buildings and potential for future development will be informed by existing and future planning policies. These will be prepared through the statutory plan making process and subject to independent review. Equally many proposals will be subject to planning consent which involves a period of statutory consultation whereby members of the public and statutory consultees have the opportunity to comment on proposals. This again can result in changes being made to proposals to address any issues raised having both an impact upon how we develop our operational estate but also our ability to raise capital receipts and expand the investment portfolio. To provide planning certainty, sites are considered by Strategic Development Group which is an officer working group involving Planning, Highways and Conservation officers and early pre-application discussions will take place around emerging proposals.

Does this proposal support the council's three Key Pillars?

Inclusive Growth Health and Wellbeing Climate Emergency

- 14 The Estate Management Strategy is underpinned by each of the Council's key pillars as set out at the outset of this paper. This is fundamental to the success of the strategy and will ensure that property decisions brought through the implementation plan fully consider these themes.

Options, timescales and measuring success

What other options were considered?

- 15 The council is under an obligation to have an up to date estate management strategy and therefore there is no option but to bring forward a new document. That said a number of alternative approaches to structuring the document were considered. Asset management or estate management strategies brought forward by other organisations are often bricks and mortar lead. However in the case of the strategy proposed for approval as part of this paper, an approach which is underpinned by the council's three pillars and desired city outcomes was chosen as this is considered to drive greater benefits to the City, its residents and its businesses.

How will success be measured?

- 16 The following are the key success measures set out in the document. Progress in each of these areas will be overseen and monitored by the Council's Corporate Estate Management Board which will also consider and inform the implementation plan which will be prepared to focus activity:
- (a) Our estate is well utilised, and supports service provision to residents and communities across the city
 - (b) We have a clear 5 year vision for each of our buildings and an associated maintenance plan
 - (c) We continue to reduce the number of properties in Void Management
 - (d) We have a strong investment portfolio, which is well managed and delivering a sustainable income stream
 - (e) We continue to dispose of surplus properties using the most appropriate method based on the property and market conditions
 - (f) We maximise joint working with partners to ensure that our estates across the public sector are complimentary and where appropriate shared.
 - (g) We make strategic acquisitions to support future regeneration and change within the city
 - (h) Our estate is leveraged to support regeneration within our communities and the city centre, and supports the city in becoming carbon neutral.

What is the timetable for implementation?

- 17 Subject to Executive Board approval, the strategy will be implemented immediately guiding the use, planning and management of the estate and preparation and ongoing review of the implementation plan.

Appendices

- 18 Estate Management Strategy
- 19 Equality, Diversity, Cohesion and Integration Screening

Background papers

- 20 None.