

Subject: Capital Receipt Programme Update

Date: 9 February 2022

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

Access to Information Procedure Rule number 10.4(3) Appendix B

What is this report about?

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

- 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 over 30 years and has generated in excess of £550m over this period to support the Council's wider spending and investment priorities.
- This report provides an overview of the Capital Receipt Programme and provides an update following the last report in February 2021.
- The release of properties will support the Council's financial position both in the form of operational 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.
- The Council's land and buildings facilitate service delivery and therefore contributes to the objectives, outcomes and priorities set out in the Best Council Plan, emerging City Ambitions, 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'. The Capital Receipt Programme also generates vital funding to the Capital Programme which in turn delivers investment which will support each key pillar.

Recommendations

Executive Board is asked to:

- a. Agree and approve 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.
- b. Note previous Key Decisions which have been taken in relation to the disposal of assets as set out at paragraph 4.
- c. Note the progress made and successes achieved since Executive Board considered the last report on 10 February 2021.

- d. Approve the withdrawal of properties from the Capital Receipt Programme as set out in Appendices A and B which will be implemented by the Director of City Development.
- e. Note a further report will be submitted relating to the Capital Receipts Programme later in the year.

Why is the proposal being put forward?

- 1 This report seeks approval of Executive Board to the Capital Receipts scheduled contained in Appendix A and advises Members of the progress made since the report to Executive Board on 10 February 2021, and the additional capital receipts realised by accelerating the sale of a number of properties.

What impact will this proposal have?

Wards Affected: City Wide

Have ward members been consulted? Yes No

- 2 Leeds City Council owns and operates a large estate of building and land assets as set out in the report to Executive Board on 10 February 2021. The Council’s Estate Management Strategy which was approved by Executive Board in November 2021 sets out the principles which guides our estate provision, but one of the key considerations is around ensuring that our estate is well utilised and that surplus properties are released in a timely way.
- 3 The Capital Receipt Programme was established in 1990 and since this time has generated in excess of £550m to support the Council’s budgets. Changes to our estate can provide savings and the receipts generated through the disposal of surplus assets will support the Council’s financial position.
- 4 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. On 10 February 2021 this was reported with a total value of £112.1m over the programme, and a Key Decision was taken to support the continued disposal of properties included within that report.
- 5 Appendix A to this report details the full programme of capital receipts disposals for five years from 1 April 2020. 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 is currently predicting a total of c.£133m comprising:

Year	Capital Receipt
21/22	£47.455
22/23	£51.346
23/24	£14.273
24/25	£13.800
Other Misc Receipts	£6.288
Total	£133.162

- 6 In line with the Estate Management Strategy work will continue to review our operational estate to ensure that it effectively supports service delivery and identify properties which are no longer required or are not fit for purpose. Approval to add properties to the Capital Receipt Programme will be sought as our estate requirements change. It is important that before adding these to the Capital Receipt Programme for disposal, sufficient due diligence and preparatory work is undertaken to ensure that a sale can be achieved. The intention is

to bring a further report to Executive Board later in the year seeking approval to add additional surplus properties to the programme.

- 7 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 and wider viability impacts. 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. Equally, many disposals are subject to the purchaser achieving an acceptable planning consent which is subject to the statutory planning process and consideration by the Local Planning Authority. The Programme is therefore under constant review and to remain an accurate prediction of capital receipts income it is necessary to reprofile completion of disposals.. The overall total may not change from reprofiling, but in the circumstances of having to completely withdraw a property the total will be reduced if replacements are not found.
- 8 Members were previously advised of the possibility of accelerating the disposal of a number of properties following a review of the programme. Since February 2021 a number of disposals have been moved from future years. In total nine have been accelerated, or added to the programme, with six sales having been completed totalling £33.74m (£3.455m in financial year 2020/2021, and £30.287m in financial year 2021/22 so far). A further c.£10.5m could be realised from the other accelerated disposals within the programme. The accelerated sales included Trilogy and Building 1 at Logic Leeds (part of the Council's Prime Investment portfolio) which in February 2021 Members noted Executive Board in November 2020 had already agreed should be sold. That sale was completed on 20 August 2021, providing a return to the Council of £29.3m.
- 9 In the current financial year capital receipts totalling £44.5m have been realised (including the receipts realised from accelerated sales details in para 8). A further £1.58m is under contract with a targeted completion before 31 March 2022, and a further £1.37m of disposals being progressed and targeted for completion in the current financial year. This results in a total forecast for 21/22 of £47.45m. At the Executive Board meeting on 10 February 2021 Members were advised the Capital Receipt programme anticipated capital receipts of £37.10m being realised. The Council's work to accelerate sales can clearly be seen in the actual amount realised against the anticipated sum reported 12 months previously.
- 10 In February 2021 Members were advised of four key properties included in the programme with an estimated value of £65.95m at that time. The table below shows the position at January 2021, and a current update.

Property	Position at February 2021	Capital Receipt Year at February 2021	Current Position
Redhall, Wetherby Road	Purchaser selected, contracts to be exchanged shortly and purchase preparing planning application.	22/23 for first of four phased payments.	Planning application expected to be determined shortly. Contract negotiations almost concluded. Sale will complete shortly after planning permission is secured.
Two sites within East Leeds Extension	Concluding negotiations for exchange of Option Agreements with house builders.	23/24 onwards.	Option Agreements exchanged. On target for completion as previously anticipated.

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.	Contracts were exchanged on 04.06.21. Planning application submitted, and determination anticipated in early 2022 following support of Plans Panel.
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- 11 As reported in February 2021 it can be necessary to withdraw properties from the capital receipts programme. In the past 12 months 4 properties have been removed and are shown on the appendices in the 'Withdrawn Properties' section. In addition, at item 10 on this agenda 'Development of the Kirklands Autism Project' there is a proposal to utilise the former Kirkland House site at Yeadon for the delivery of specialist accommodation for individuals with autism. Should the proposal be approved, and the project comes to fruition, then the site will be removed from the Capital Receipts programme. In addition, there has been some movement with the programme of sale of some miscellaneous properties which is updated in the programme outlined in Appendix A.
- 12 The February 2021 report detailed a number of properties made available through Estate Rationalisation approaches previously agreed by Executive Board in September 2020. The updated position is detailed in the table below:

Site	Ward	Most Recent Use reported at January 2021	Proposed disposal year reported at 2021	Current position
Woodsley Green Offices, Woodsley Green, Woodhouse, LS6 1SD	Little London & Woodhouse	Office accommodation for Adults & Health staff.	21/22	Building proposed to be leased out to city health partners.
South Pudsey Centre, Kent Road, Pudsey, LS28 9HG	Pudsey	Children's and Families' office accommodation.	21/22	Preparations being made to dispose, staff relocation complete.
Millshaw Offices Millshaw Park Way, Beeston, LS11 0LS	Beeston & Holbeck	Office accommodation for Environmental Services.	21/22	Sale expected to complete before 31 March 2022.
3-5 The Green, Horsforth, LS18 5BJ	Horsforth	Horsforth Museum and vacant building.	20/21	Terms now agreed with the Town Council and disposal should complete 21/22.
Land at Viaduct Road (to rear of former Thyssen Krupp site), Kirkstall, LS4 2AP	Little London & Woodhouse	Currently a site compound for FAS2 but available for disposal once vacated.	22/23	Site is being used as a contractor's compound for the Flood Alleviation Scheme until April 2023, after which it is planned for disposal.

- 13 Whilst the Council uses a number of approaches to dispose of surplus assets, members were advised in February 2021 that properties considered suitable for auction sales would be sold in this way. Auctions provide the certainty of a minimum receipt being achieved by setting a reserve which meets the Council's statutory obligation to realise Best Consideration. Certainty over sale completion is also provided as a sale is usually completed within four weeks of contracts being exchanged on the day of the auction if the reserve is achieved. Since February 2021 two properties have been sold by auction

totalling £745,000, building on successful disposals through this method in the 2020/21 financial year.

- 14 Other disposals over the past 12 months have continued to progress by informal tender and are usually on a conditional basis. This method of sale assists in maximising the capital receipt the Council will realise as purchasers wish to, at least, secure planning permission and funding before completing the purchase.

What consultation and engagement has taken place?

- 15 The Executive Member for Resources has been regularly updated on the realisation and disposal approach set out in this paper and the Capital Programme specifically.
- 16 Ward Member engagement takes place both prior to properties entering the capital receipt programmes as well as during the disposal process itself.

What are the resource implications?

- 17 The release of properties and generation of additional capital receipts supports the Council's overall budget proposals.
- 18 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.
- 19 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 the agenda to this meeting is a report from the Chief Officer Financial Services, Resources & Housing providing Capital Programme Update 2022 – 2026. Release of properties and realisation of capital receipts is an important source of income to support the medium term financial strategy.
- 20 The receipt from some properties may need to be used to support wider estate changes and investment, where works are required to relocate services in advance of disposals coming forward. Receipts from Bramley Housing Office and Millshaw Offices may need to be used in this way.
- 21 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.

What are the legal implications?

- 22 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.

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

- 23 There are a number of risks associated with the sale of surplus properties including both macro and micro economic conditions. The main risk is delay of completion on any sale which will therefore create holding costs to the Council. As much due diligence as practically possible is undertaken before properties are marketed to reduce the risk of delay during the legal process.
- 24 As set out elsewhere in this paper the Council uses a variety of disposal approaches including auction and informal tender. The most appropriate disposal approach will be selected for each property to maximise interest and value and ensure that disposals progress in a timely way.
- 25 There is the potential for local sensitivities regarding some disposals. This is taken into consideration whilst disposing of properties. Ward members are consulted during the process so that these issues are understood.

Does this proposal support the council's 3 Key Pillars?

Inclusive Growth Health and Wellbeing Climate Emergency

- 26 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.' The generation of capital receipts also underpins the Council's financial budget and in particular the Capital Programme which in turn delivers investment which supports each of the key pillars.

Options, timescales and measuring success

a) What other options were considered?

- 27 In relation to the Capital Receipts Programme, this has been extremely successful in realising capital receipts for the Council since 1990 and this must continue when surplus property asset are no longer required.
- 28 The Council could continue to operate from its existing property portfolio, but this is not an option that should be pursued. A responsible property owner should continually review its portfolio to identify the most efficient use and rationalise where efficiencies and savings can be found which don't adversely affect the operation of the business.

b) How will success be measured?

- 29 Success will be measured through the generation of capital receipts and disposal of the Council's surplus properties.

c) What is the timetable for implementation?

- 30 The Capital Receipts Programme is an on-going extremely important workstream for the Council and work will continue with actions identified in this report being taken immediately.

Appendices

- 31 Appendix A – Capital Receipt Programme
- 32 Appendix B – Capital Receipt Programme financial profile – confidential under Access to Information Rule 10.4(3)
- 33 Appendix C - Equality, diversity, cohesion and integration screening

Background papers

- 34 There are none.