Leeds CITY COUNCIL

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Subject: Capital Receipts Programme Update

Date: 8 February 2023

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

Brief summary

- The Council continually reviews its property assets held, in particular whether there is a particular need to continue owning properties for either operational or investment criteria. The Council's Capital Receipt Programme seeks to dispose of surplus properties to support the Council's budget position. The Capital Receipts 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 2022.
- 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 optimised 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 Ambition, Inclusive Growth Strategy and Health and Well Being Strategy. Optimising the Council's estate supports the Best Council Ambition to tackle poverty and inequality and improve quality of life for everyone who calls Leeds home. The Capital Receipt Programme also generates vital funding to the Capital Programme which in turn delivers investment which will support the three pillars of the Best City Ambition.

Recommendations

Executive Board is asked to:

a. Note the report and previous Key Decisions which have been taken in relation to the disposal of assets as set out at paragraph 4.

b. Note the progress made and successes achieved since Executive Board considered the last report on 9 February 2022.

c. Declare surplus and approve as a Key Decision the disposal of those assets identified in Appendices A and B “Proposed for Inclusion” and agree their addition to the Council’s Capital Receipts Programme of surplus properties for disposal.

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.

What is this report about?

1 This report seeks approval of Executive Board to the disposal of property scheduled in Appendices A & B identified as “Proposed for Inclusion” and advises Members of the progress made since the report to Executive Board on 9 February 2022.

What impact will this proposal have?

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 optimised 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 9 February 2022 this was reported with a total value of £133.162m 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 2021. Appendix B, designated confidential under Access to Information Procedure Rule 10.4(3), is the same full programme indicating capital receipts realised for sales already completed or anticipated for future disposals. To summarise, the programme is currently predicting a total of £99.9m comprising:

Table 1: Capital Receipts Programme summary by year.

Year	Capital Receipt
22/23	£20,335,784
23/24	£39,442,334
24/25	£21,635,000
25/26	£9,779,816
26/26	£2,585,000
Other Misc Receipts	£5,950,007
Total	**£99,727,941**

6 Work has continued in line with the Estate Management Strategy 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 is being sought and will continue to be sought as our estate requirements continue to change. It is important that before adding these properties 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. Table 2 below shows those properties proposed for inclusion in the Capital Receipts Programme. Table 2a shows properties which became surplus since February 2022 and have subsequently been sold.

Table 2: Properties proposed for inclusion.

Property	Ward	Anticipated disposal year
Dibb Cottage, Johnny Lane, Otley	Otley & Yeadon	24/25
Engine House, Hunslet	Beeston & Holbeck	23/24
Hollybush Annexe, Hollybush Primary, Broad Lane, Bramley	Bramley & Stanningley	24/25
Hough Lane Centre, Hough Lane, Bramley	Bramley & Stanningley	24/25
Kentmere Avenue (site of former Gate Pub), Seacroft	Killingbeck & Seacroft	24/25
Land Pontefract Road / Wakefield Road, Hunslet	Hunslet & Riverside	24/25
Lavender Walk 15, Burmantofts, LS9	Burmantofts & Richmond Hill	23/24
Lazencroft Barn, Thorpe Park	Temple Newsam	23/24
Leodis Way, Stourton	Hunslet & Riverside	22/23
Lobb Cottage, Roundhay	Roundhay	23/24
Manor Street Industrial Estate, Sheepscar, LS7	Little London & Woodhouse	23/24
Meadow Lane development site, Hunslet	Hunslet & Riverside	25/26
Mistress Lane, Armley	Armley	23/24
Osmondthorpe One Stop, Wykebeck Mt / Ave, Osmondthorpe	Temple Newsam	24/25
Osmondthorpe Resource Centre, Osmondthorpe	Burmantofts & Richmond Hill	23/24
Otley Cemetery Chapels, Otley	Otley & Yeadon	24/25
Stonegate SILC, Stonegate Road, Moortown	Moortown	24/25
Westminster Buildings, New York Street, LS2	Little London & Woodhouse	23/24
Yeadon Cemetery Chapel, Cemetery Road, Yeadon	Otley & Yeadon	24/25

Table 2a: Properties 'new' since Feb 2022 and have been sold

Broad Lane (land adj 275), Bramley	Bramley & Stanningley	Tenant surrendered which provided the opportunity for open market sale.	Sold 22/23
Main Street, Methley	Kippax & Methley	Overage arising from an historic sale.	Sold 22/23
Malvern Rise (site of former Malvern Public House), Holbeck	Beeston & Holbeck	Tenant requested to purchase the Council's freehold interest	Sold 22/23
Spen Lane (land adj 237), West Park	Kirkstall	Adjoining owner requested to purchaser for garden extension.	Sold 22/23
Westminster Crescent, Halton Moor	Temple Newsam	Sold to Registered Provider (owner of adjoining land) for development of affordable homes.	Sold 21/22

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 In the current financial year sales totalling £18.6m have been completed. A further £0.33m is under contract with a targeted completion before 31 March 2023. A further £1.5m of disposals are being progressed which are likely to complete in the current financial year. This results in a total forecast for 22/23 of £20.3m. At the Executive Board meeting on 9 February 2022 Members were advised the Capital Receipt programme anticipated capital receipts of £51.3m being realised in 22/23. The difference between the figure anticipated in February 2022 and being reported now is caused by two substantial disposals at Redhall and the former International Pool taking longer than expected. These sales are now expected to complete early in 23/24. The Redhall redevelopment proposals have been delayed due to the time taken to arrive at a satisfactory scheme which can be recommended for planning permission, and the International Pool disposal has been slowed by economic conditions although the purchaser has acquired the first phase of the site and the Council has already received a substantial capital receipt for this element.

9 As reported in February 2022 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, there has been some movement with the programme of sale of some miscellaneous properties which is updated in the programme outlined in Appendices.

10 The February 2022 report detailed a number of properties made available through Estate Rationalisation approaches previously agreed by Executive Board in September 2020. Executive Board on 10 February 2021 also approved the inclusion properties released through rationalisation. Those properties are listed in Table 3 below, together with an updated position:

Table 3: Update on specific rationalisation proposals previously agreed.

Site	Ward	Use reported at January 2021	Proposed disposal year reported at 2022	Current position at February 2023
Woodsley Green Offices, Woodsley Green, Woodhouse, LS6 1SD	Little London & Woodhouse	Office accommodation for Adults & Health staff.	Building proposed to be leased out to city health partners.	City health partners decided the building was not appropriate and decided not to lease. Building to be sold 23/24.
South Pudsey Centre, Kent Road, Pudsey, LS28 9HG	Pudsey	Children's and Families' office accommodation.	Preparations being made to dispose, staff relocation complete.	To be sold 23/24.
Millshaw Offices Millshaw Park Way, Beeston, LS11 0LS	Beeston & Holbeck	Office accommodation for Environmental Services.	Sale expected to complete before 31 March 2022.	Sale completed 20.07.22.
3-5 The Green, Horsforth, LS18 5BJ	Horsforth	Horsforth Museum and vacant building.	Terms now agreed with the Town Council and disposal should complete 21/22.	Sale completed 31.03.22.
Land at Viaduct Road (to rear of former Thyssen Krupp site), LS4 2AP	Little London & Woodhouse	Currently a site compound for FAS2 but available for disposal once vacated.	Site is being used as a contractor's compound for the Flood Alleviation Scheme until April 2023, after which it is planned for disposal.	Site is being used as a contractor's compound for the Flood Alleviation Scheme until end 2023, after which it is planned for disposal 24/25.

11 A wider estate review is being progressed reflecting the LGA Corporate Peer Challenge Review – Action Plan which may generate additional future capital receipts. The Action Plan features in Item 13 to the agenda to this meeting. In addition, the Council holds a number of properties

which are let out. Any divestment of these properties is considered in line with the principles set out in the Divestment Strategy which is included in Item 12 of the agenda.

12 Whilst the Council uses a number of approaches to dispose of surplus assets, members were advised in February 2022 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 2022 three properties have been sold by auction totalling £1,260,000, building on successful disposals through this method in the 2021/22 financial year.

13 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.

How does this proposal impact the three pillars of the Best City Ambition?

☒ Health and Wellbeing ☒ Inclusive Growth ☒ Zero Carbon

14 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 City Ambition, Inclusive Growth Strategy and Health and Well Being Strategy. Optimising the Council's estate supports the Best City Ambition to tackle poverty and inequality and improve quality of life for everyone who calls Leeds home. 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.

What consultation and engagement has taken place?

Wards affected: City Wide		
Have ward members been consulted?	☒ Yes	☐ No

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 estate optimisation flexible use of our accommodation will be achieved, with associated reductions in running costs and maintenance liabilities. However, it is important to note that it will be important to make investment in the retained estate to ensure 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. Item 12 in the agenda to this meeting is a report from the Chief Officer Financial Services, Resources & Housing providing Capital Programme Update 2023 – 2027. 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 the International Pool site, Redhall, Micklefield House, Peckfield and Copperfields College site 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 key risks and how are they being managed?

22 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.

23 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.

24 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.

What are the legal implications?

25 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.

Options, timescales and measuring success

What other options were considered?

26 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 assets are no longer required.

27 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 optimise to realise efficiencies and savings which don't adversely affect the operation of the business.

How will success be measured?

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

What is the timetable and who will be responsible for implementation?

29 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

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

Background papers

- There are none.