

Subject: Capital Receipts Programme Update

Date: 7 February 2024

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

Brief summary

- The Council continually reviews its property assets, particularly the need to continue owning properties for either operational or investment reasons. The Council's Capital Receipts Programme seeks to dispose of surplus properties to support the Council's budget position and wider programme of delivery. The Capital Receipts programme has been ongoing for over 30 years and has generated in excess of £600m in capital over this period to support the Council's spending and investment priorities.
- This report provides an overview of the continuing work to reduce the size of the Council's operational estate. It also provides an update on the Capital Receipts Programme following the last report in February 2023.
- 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, and will also ensure 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 contribute to the objectives, outcomes and priorities of the three pillars of the Best City Ambition; Health and Wellbeing, Inclusive Growth and Zero Carbon. 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 Capital Receipts 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 cover report and its appendices and the previous Key Decisions which have been taken in relation to the disposal of assets as set out at paragraph 16.
- b. Note the progress made and progress achieved since Executive Board considered the last report on 8 February 2023.
- c. Declare surplus and approve 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 Receipts Programme as set out in Appendices A and B which will be implemented by the Director of City Development.
- e. Support the approach being taken in relation to the review of Locality buildings across the city and how this will be informed by the review of locality service delivery.

What is this report about?

- 1 This report seeks approval of Executive Board to the disposal of the properties identified in Table 2 of this report and advises Members of the progress made since the report to Executive Board on 8 February 2023.

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 (Strategy [Exec Board 17 11 21](#)) sets out the principles which guides our estate provision. One of the key considerations is ensuring that our estate is optimised and that surplus properties be released in a timely way.

Locality Building Review

- 3 As set out in previous reports to Executive Board, the Council has a large and varied estate. Rationalisation work has been ongoing for a number of years and has focused on the reduction of our office base. Through this rationalisation workstream there has been in excess of 110 buildings closed over the last 11 years, reducing the Council's estate by over 1.5 million sq ft and delivering in excess of £8.5m of revenue savings over the period, and more than £25m of Capital Receipts. This has been supported by programmes such as Changing the Workplace, delivering investment into our retained offices to modernise them and deliver a higher quality environment for staff.
- 4 Although there has been substantial estate optimisation and rationalisation work undertaken, the opportunity to undertake a comprehensive review of our locality based buildings remains. As such our estate remains too large, has substantial backlog maintenance pressures, needs to be made more fit for purpose, and affordable. In the context of the Council's financial challenge, and the recommendations of the Local Government Associations Peer Review of the Council, a comprehensive review is being undertaken of the Council's operational locality assets.
- 5 Our operational locality estate consists of a wide range of buildings including Leisure Centres, Community Hubs, Community Centres, Children's Centres, Libraries, Museums & Galleries, venues, non HRA residential properties, depots and other smaller assets used for storage. The three largest sectors of our estate are Community Hubs and Libraries, Community Centres and Children's and Families front line properties (nurseries and children's centres).
- 6 The use and utilisation of our locality buildings varies substantially between categories of building and by location. Some Community Centres for example are well used and active throughout the day and into the evening, whereas others have little overall use. This is a trend that can also be found in Children's Centres. That said Community Hubs have become a recognised and well-established front door for Council services seeing higher usage. It is estimated that our locality buildings are only utilised for 30-50% of their capacity during their existing opening hours whereas our target for office space utilisation is 80%.

- 7 Our buildings also have a range of opening times and different periods of peak use. For example, leisure centre sports halls are often well used at evenings and weekends but during the daytime are underutilised. Equally, many of our buildings close at the end of the working day, meaning that they are not available for broader use in the evenings.
- 8 The review of locality buildings is drawing on information held around tenure, use (including by third parties), running cost, backlog maintenance and the sustainability / carbon footprint of buildings. In addition, the level of investment made into properties, their flexibility to facilitate a wider range of uses, location, potential value / opportunity to realise a capital receipt or potential to be leased out are also important factors.
- 9 Despite the information already available, additional due diligence will be required to determine whether there are any title restrictions preventing disposal or particular uses and where there has been grant funded investment, whether there are clawback provisions.
- 10 The Council's buildings are an enabler for service delivery and as such any changes to buildings will impact upon how or where services are delivered. Whilst work has been ongoing to consider our locality buildings this is in parallel to emerging reviews around the way in which the Council delivers services in localities. This is a cross Directorate review being led by the Director for Communities Housing and Environment. A Locality Service Transformation Board has been established to oversee this important area of work which seeks to:
 - a) Build on existing complementary approaches, sharing infrastructure, resources, and workforce to deliver better, more efficient, more effective outcomes which bring about change, especially in our most challenging areas of the city.
 - b) Integrate and embed multi-disciplinary teams, with a focus on preventative and targeted service delivery within communities.
 - c) Focus on a Strengths-based approach. Building community wealth, through a focus on EDI and the involvement of those with Lived Experience and supporting the development of community capability, capacity and assets.
 - d) Express the city ambition through local plans, developed with the community and for the community, to secure better engagement and ownership.
- 11 A phased approach to the Locality Building Review is being progressed supporting the Locality Service Transformation Board:
 - a) Phase 1 involves the identification of buildings which can be released based upon their utilisation, condition, and ability to relocate services into alternative buildings which are reasonable and appropriate. It should be noted that this does not involve a change to how services are delivered.
 - b) Phase 2 will see additional buildings released, but this will come forward as a result of locality service transformation.
- 12 A series of principles have been established to guide the review:
 - a) Retained buildings will have a target utilisation rate of at least 80%.
 - b) A working target of a 60% reduction in the number of locality buildings has been established based on the intelligence to date and affordability, with a focus on retaining the best condition, best located and most flexible properties.
 - c) That a Corporate Landlord approach will be maintained and therefore there will not be single service managed properties.
 - d) That buildings will be multi-use providing a single front door to Council services allowing a more simplified navigation of services by customers and communities with an integration of Family Hub services within Community Hubs.
 - e) That we will have a range of Community Spaces which are more easily hired than dedicated Community Centres.

- f) That we will strengthen and broaden the use of cultural / leisure facilities (Leisure Centres and Leeds Museums and Galleries) to make better use of these significant facilities.
- g) That partner, third sector (including schools) are utilised where appropriate to support service delivery and promoted for community use to enhance their sustainability.

- 13 The first tranche of Phase 1 releases will be presented to Executive Board later in the year once further work has been undertaken to determine alternative locations for service delivery and additional due diligence is undertaken. It is recognised that to achieve this, there may be a requirement for modest investment to ensure our retained buildings are fit for purposes. However, this will be kept to a minimum at this time. A longer-term investment plan will be required into our retained buildings to address backlog maintenance issues and further improve the flexibility of buildings.
- 14 It is anticipated that the number of operational properties being released will be substantial over the coming years and the impact of void properties both on localities and the liability, risk and cost of such properties to the Council is acknowledged. As such, a programmed approach to releases will be developed which will seek to minimise the amount of time properties remain void, therefore reducing the impact of vacant properties upon localities. It may, therefore, in some cases be beneficial for properties to remain operational at very reduced levels until the time of disposal or lease. Additionally, some properties may be demolished utilising funding from the demolition capital programme scheme to manage risks, but this will only occur where properties cannot be disposed of or released in a timely way, or where demolition will be advantageous in supporting the disposal.

Capital Receipt Programme

- 15 The Capital Receipt Programme was established in 1990 and since this time has generated in excess of £600m 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.
- 16 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 8 February 2023 this was reported with a total value of £99.38m over the life of the programme.
- 17 A variety of approaches are adopted to dispose of surplus properties. Once properties are included within the Capital Receipts Programme, final checks including legal and planning due diligence is undertaken prior to properties being brought to the market either by auction or offers sought via an informal tender process. The approach for each property is determined based on the individual property and market intelligence. 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. Greater 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. However, for more complex properties or sites providing substantial development opportunity, an informal tender approach is often preferred. 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. However, this method takes longer to conclude and is therefore more susceptible to the risk of changes in market conditions due to wider economic factors.
- 18 Appendix A to this report details the full programme of capital receipts disposals for five years from 1 April 2023. 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. Table 1 below summarises the programme currently predicting a total of £94.51m comprising:

Table 1: Capital Receipts Programme summary by year.

Year	Capital Receipt
23/24	£31,445,519
24/25	£33,814,003
25/26	£14,570,000
26/27	£11,279,815
Other Misc Receipts	£3,402,005
Total	£94,511,342

19 Table 2 below shows those properties proposed for inclusion in the Capital Receipts Programme. Table 2a shows properties which became surplus since February 2023 and have subsequently been sold.

Table 2: Properties proposed for inclusion.

Property	Ward	Anticipated disposal year
2 Park View Terrace, Rawdon	Guiseley & Rawdon	24/25
30-34 Aire Street, LS1	Hunslet & Riverside	24/25
6 Bridge Street, Otley	Otley & Yeadon	24/25
45 Garnet Terrace, Hunslet	Hunslet & Riverside	24/25
Burley Park Centre, Cardigan Lane, LS4 2LE	Kirkstall	24/25
Skinner Street / Lisbon Street (land), LS1	Little London & Woodhouse	24/25
Upper Accommodation Road (land), LS9	Burmantofts & Richmond Hill	24/25
West Lodge, Rawdon Crematorium	Horsforth	24/25
Micklefield C of E Primary caretaker's house	Kippax & Methley	25/26
Pudsey Bolton Royd Primary School - Caretaker's Property, Moorland Grove, Pudsey, LS28 8EP	Calverley & Farsley	25/26
Malt Kiln Lane, Kippax	Kippax & Methley	24/25
Former Postal Workers Club Kirkstall Leeds	Kirkstall	24/25
Jack Lane	Beeston & Holbeck	25/26
Elland Road Fullerton Park	Beeston & Holbeck	Misc

Table 2a: Properties 'new' since Feb 2023 and have been sold.

Property	Ward	Reason it became available	Sold
Astley Way Unit 16, Swillington	Garforth & Swillington	Lessee requested to purchase.	28.04.23
Land at Atha Street	Beeston & Holbeck	Neighbour requested to purchase.	22.11.23
Land at Houghley Lane	Armley	Neighbour requested to purchase.	12.05.23
Land at St Wilfrid's Av	Gipton & Harehills	Neighbour requested to purchase.	12.05.23
Karnac Road 47, Harehills	Gipton & Harehills	House acquired by CPO and sold to bring about refurbishment.	16.01.24

20 At the time of this report the annual capital receipts predictions are based on the current positions of live sales, timescale for site preparation and balanced alongside 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 events 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.

- 21 In the current financial year sales totalling £2.868m have been completed as of the time of writing. A further £7.438m is under contract with a targeted completion before 31 March 2023. A further £21.139m of disposals are being progressed which are likely to complete in the current financial year. This results in a total forecast for 23/24 of £31.445m. At the Executive Board meeting on 8 February 2023 Members were advised the Council targeted capital receipts of £39.42m being realised in 23/24. The difference between the figure anticipated in February 2023 and being reported now is impacted by transaction delays on two substantial disposals at Redhall and the former International Pool site (Lisbon Street). Both are complex disposals. These sales are now expected to complete early in 24/25 for the purpose of the projections in this report. 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 former International Pool disposal, Lisbon Street has been protracted due to wider 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. Further stage payments remain possible in the current financial year, but taking a prudent approach, the forecast detailed above has not included these payments at this time. Some of the reduction resulting from the Redhall and Lisbon Street delayed sales has been filled by the anticipated sale of St George House which was added to the programme in October 2023.
- 22 As reported in February 2023 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 within the programme of sale of some miscellaneous properties which is updated in the programme outlined in the Appendices.
- 23 In October 2023 Executive Board agreed to further explore the potential disposal of a number of let out properties these were:
- a) Swinegate Car Park – Hunslet & Riverside
 - b) Harper Street Car Park – Little London & Woodhouse
 - c) St George House – Little London & Woodhouse
 - d) 2180 Century Way, Thorpe Park – Garforth & Swillington
- 24 Following external specialist advice, the Council is minded to only progress with the disposal of St George House at this time. This assessment has been taken based on the market appetite and satisfactory capital pricing. As such, St George House has subsequently been injected into the Capital Receipt Programme via delegated approval and will now progress towards completion.

Community Asset Transfer opportunities

- 25 The Council has a Community Asset Transfers (CATs) policy. Through the continued consideration of LCC's operational needs, this may provide scope for additional community based organisations to take over the running of buildings with a long-standing community use for continued community benefit where appropriate. However, this will only be possible with buildings which meet current Minimum Energy Efficiency standards which must be met for all commercial lettings, as well as having the ability to meet future requirements. This currently requires an EPC rating of an 'E', but is expected to increase to a 'B' by the end of the decade. Given the Council will not have the financial ability to invest in properties, community organisations will need to make provisions in their business plans and provide a strategy as part of their CAT proposal as to how the required investment can be made. In addition, buildings which have substantial backlog maintenance are unlikely to be offered as a potential CAT as

the level of investment required would overly expose community organisations. Finally, buildings will only be made available where they are not required to support the Council's budget position.

- 26 The Council's approved Community Asset Transfer Policy is currently being refreshed to assist organisations in bringing proposals forward for suitable properties by providing clearer definition about the process to be followed and the way in which the challenges set out above can be overcome. Discussions are already taking place with Voluntary Action Leeds about the policy refresh which supports aspirations around Asset Based Community Development, with wider engagement due to take place in the coming months including ward members around the proposed changes. A further paper will be presented to Executive Board later in the year seeking support for the refreshed policy with a view to recommending properties which may be suitable to be made available for CAT proposals.

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

Health and Wellbeing Inclusive Growth Zero Carbon

- 27 The Council's land and buildings facilitates a wide range of services to be delivered 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. In addition Community Asset Transfers can also support all three pillars, particularly in the context of Asset Based Community Development.

What consultation and engagement has taken place?

Wards affected: City Wide

Have ward members been consulted? Yes No

- 28 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.
- 29 Ward Members have been made aware of the properties proposed for inclusion within the Capital Receipt Programme and further engagement with Ward Members will take place as properties are brought forward for disposal.

What are the resource implications?

- 30 The release of properties and generation of additional capital receipts supports the Council's overall budget proposals.
- 31 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.
- 32 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. Also on the agenda for this meeting is a report providing Capital Programme Update 2023 – 2028. Release of properties and realisation of capital receipts is an important source of income to support the medium-term financial strategy.

- 33 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, Peckfield, Copperfields College site, Adam's Court, Rothwell Former Council Offices, Crossgates Library, 15 Lavender Walk and Broom Hill Centre may need to be used in this way.
- 34 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?

- 35 Local sensitivities around the release of local assets is recognised and this will need to be managed through good engagement and well managed changes to the relocation of services or delivery of any service change to allow assets to be declared surplus.
- 36 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.
- 37 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.
- 38 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.
- 39 The capital receipts programme features in the corporate Risk Register and is kept under review as changes in the programme, particularly delays in realising capital receipts, can have major impacts on the Council's in-year budget and Medium Term Financial Strategy.

What are the legal implications?

- 40 The information contained in confidential 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?

- 41 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.

42 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. Given the Council's budget challenges, this is particularly important at this time as we strive for a more efficient and flexible estate, maximising its utilisation.

How will success be measured?

43 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?

44 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.