Report author: Lisa Thornton / Edward Rowland

Tel: 0113 378 7733 / 0113 378 7674

Subject: Capital Receipts Programme Annual Update

Date: 12 February 2025

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 £620m 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 2024.
- 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, Appendix A and exempt Appendix B and the previous Key Decisions which have been taken in relation to the disposal of assets as set out at paragraph 13.

b. Note the progress made and progress achieved since Executive Board considered the last report on 7 February 2024.

c. Declare surplus and approve the disposal of those assets identified in Appendices A and B "Proposed for Inclusion", and as set out a paragraph 14 and Table 2, 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.

f. Note the progress made on the work to review the locality buildings and the work to release further buildings in 2025/26.

g. Approve the list of properties as set out at paragraph 8 of this report, as having the potential and being suitable for Community Asset Transfers.

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 7 February 2024. The report also sets out a number of properties identified as being suitable for Community Asset Transfer and seeks Executive Board support for bringing these forward in line with the approved Community Asset Transfer policy.

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 in out in previous reports to Executive Board, the council has been reviewing the occupation of its locality estate which consists of a wide range of buildings including Leisure Centres, Community Hubs, Community Centres, Children's Centres, Libraries, Museums & Galleries, venues and non HRA residential properties. This work has identified that there are currently 185 properties classed as locality buildings within the estate.

4 Whilst substantial work has been undertaken to rationalise the estate, further work is needed as the estate remains too large, underutilised, is unaffordable, has substantial backlog maintenance pressures, and requires investment to ensure that it continues to be fit for purpose. In the context of the Council's financial challenge, and the recommendations of the Local Government Associations Peer Review of the Council in November 2022, a comprehensive review is being undertaken of the Council's operational locality assets.

5 Phase 1 of the Locality Building Review is ongoing to identify buildings which can be released based on the utilisation, condition and the ability to relocate services to an alternative building. Early opportunities where services could be relocated with minimal impact on service delivery are being worked through with Services in order to deliver vacant possession and release buildings for disposal.

6 In addition, the Council is reviewing the way it provides services across the city to local communities and residents, which will further inform the future size and shape of its estate. This will lead to further properties being released over the coming years which will be injected into the capital receipt programme on an ongoing basis.

Community Asset Transfers

7 The Council's updated Community Asset Transfer Policy was approved by Executive Board in July 2024. The policy was updated to incorporate experience and learning acquired from managing community asset transfers over the last ten years and established a revised criteria and process that aligned with current estate strategies and challenges around estate maintenance.

8 It was agreed by Executive Board at the time that a list of properties suitable for Community Asset Transfer would be presented once established. Significant work has been undertaken with colleagues in the Communities, Housing and Environment Directorate to review properties in the community centre portfolio which could be suitable to progress a Community Asset Transfer. In addition, a number of properties are already held as void properties, but have had previous community use, meeting the CAT Policy requirements and have been the subject of recent discussions with organisations about the potential for Community Asset Transfer. The following properties have been identified as being suitable for Community Asset Transfer:

a) Treetops Community Centre (Currently Void)
b) Watsonia Pavilion
c) Ebor Garden's Community Centre
d) Prince Philip Centre
e) Henry Barran Community Centre
f) Fieldhead Youth & Adult Centre
g) Vicars Court (Currently Void)
h) Greenacre Hall (Subject to a previous community lease arrangement)
i) Micklefield Youth and Adult Centre
j) Swinnow Community Centre
k) Blackburn Hall

9 Ward Members have been consulted on the proposed list of properties and are supportive of the potential progression to Community Asset Transfers. For properties where there are established organisations in occupation via room bookings, discussions are underway with these organisations in the first instance, as they may have the capacity and desire to take forward a Community Asset Transfer. Through this engagement, the capacity of community organisations to take on buildings has been raised and is recognised by the Council. The Council has also accessed UKSPF funding and has commissioned Locality to provide some assistance to user groups to support their understanding of the considerations and capacity requirements they would need to progress a successful Community Asset Transfer.

Capital Receipt Programme

10 The Capital Receipt Programme was established in 1990 and since this time has generated in excess of £620m to support the Council's budgets. Changes to our estate can provide revenue and operational savings and the receipts generated through the disposal of surplus assets will further support the Council's financial position.

11 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 7 February 2024 this was reported with a total value at that time of £94.51m over the life of the programme.

12 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. Auctions have been increasingly used over recent years as a disposal method and have proven successful. 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 derisk acquisition through securing planning permission and funding as examples, 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.

13 Appendix A to this report details the full programme of capital receipts disposals for five years from 1 April 2024. Appendix B, designated exempt 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 £106,454,487 with additional opportunities continuing through estate rationalisation and strategic land releases, with Executive Board being updated as appropriate:

Table 1: Capital Receipts Programme summary by year.

Year	Capital Receipt at 03.02.25
24/25	£36,486,359
25/26	£32,409,308
26/27	£21,190,000
27/28	£15,179,815
28/29	£0
29/30	£390,000
Other Misc Receipts	£799,005
Total	**£106,454,487**

14 Table 2 below shows those properties proposed for inclusion in the Capital Receipts Programme. Table 2a shows properties which became surplus to corporate requirements since February 2024 and have subsequently been sold.

Table 2: Properties proposed for inclusion.

Property	Ward	Anticipated disposal year
Allerton Bywater Youth & Adult Centre	Kippax & Methley	24/25
Beeston Road former kennels, Gipsy Lane	Beeston & Holbeck	24/25
Foxcroft Close 9, Kirkstall	Kirkstall	24/25
Helston Road land, Middleton	Middleton Park	24/25
Wakefield Road, adj New Inn, Drighlington	Morley North	24/25
Markham Avenue, Rawdon	Guiseley & Rawdon	24/25
Marsh Vale, Woodhouse	Headingley & Hyde Park	24/25
Myers Croft, Otley	Otley & Yeadon	24/25

Wellington Square, land at,	Little London & Woodhouse	24/25
Land at Shadwell Ring Road	Crossgates & Whinmoor	24/25
Swan Lane, former Donkey Sanctuary,	Alwoodley	25/26
Leeds Road 418, Lofthouse (former caretaker's house)	Ardsley & Robinhood	25/26
John Charles Approach land	Hunslet & Riverside	25/26
Mill Pit Lane, Rothwell	Rothwell	25/26
Pit Field Road, Carlton	Rothwell	25/26
Otley Cemetery Lodge	Otley & Yeadon	25/26
Site adjacent Parklands Primary school	Killingbeck & Seacroft	25/26
Strawberry Lane Community Centre	Armley	25/26
Elmete Lane sites A & B, Roundhay	Roundhay	25/26
Roundhay Road, land (next to Tobbell Electrical)	Little London & Woodhouse	25/26
Sweet Street West	Beeston & Holbeck	25/26
East of Otley	Otley & Yeadon	26/27
Clay Pit Lane, part Yorkshire Bank site	Little London & Woodhouse	26/27
West Street Car Park	Little London & Woodhouse	MISC

Table 2a: Properties 'new' since Feb 2024 and have been sold.

Property	Ward	Reason it became available	Sold
Land rear Seacroft Hospital	Killingbeck & Seacroft	Surplus to requirements	02.10.24
4 Laurel Terrace, Armley	Armley	Surplus to requirements	01.11.24
15 Norman Place, Roundhay	Roundhay	Surplus to requirements	30.04.24
42 Louis Street, Chapel Allerton	Chapel Allerton	Surplus to requirements	22.03.24
Gipton North Children's Centre	Gipton & Harehills	Surplus to requirements	24.01.25

15 At the time of this report the annual capital receipts predictions are based on the current positions relating to live transactions, timescales for site preparation of future disposals, balanced alongside capacity within City Development and Legal Services to progress the full range of disposal activity across years. Where there is a capacity constraint the potential for reprioritisation of resource, additional resource, or the commission of external professional support is considered.

16 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 resulting 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 securing an acceptable planning consent which is subject to the statutory planning process via the Local Planning Authority. The Programme is therefore under constant review and in order to maintain an accurate prediction of capital receipts income, it is necessary to reprofile completion of disposals throughout the financial year. The overall total value of receipts 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. The Interim Assistant Chief Executive (Finance, Traded and Resources), is regularly updated by the Director of City Development (Interim) and Chief Officer Asset Management and Regeneration (Interim) on progress with the disposals programme and predictions for capital receipts. Every disposal is risk assessed and accounted for appropriately in budgetary planning by Resources Officers.

17 In the current financial year sales totalling £19.6m have been completed as of the time of writing. A further £6.61m is under contract with a targeted completion before 31 March 2025. A

further £10.23m of disposals are being progressed which are likely to complete in the current financial year. This results in a total forecast for 24/25 of £36.4m. At the Executive Board meeting on 7 February 2024 Members were advised the Council targeted capital receipts of £33.81m being realised in 24/25. Whilst some complex disposals have not progressed at the pace anticipated, this being the case of Redhall and the former International Pool site (Lisbon Street), additional properties have become surplus and disposals progressed through the year, which were not reported to Executive Board in February 2024. In some circumstances, increased receipts have been generated through sales, than were anticipated when the programme was last presented to Executive Board. In addition, the sale of St George House in May 2024 provided a substantial receipt to help to mitigate the impact of delay in completing transactions on other properties.

18 In the case of Redhall and Lisbon Street, as phased transactions, these sales are now expected to complete through 25/26 and 26/27 for the purpose of the projections in this report. The Redhall redevelopment proposals have delayed due to the detailed work in arriving 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 Council has now received two substantial capital receipts for two of the four phases. The remaining payments for these sites are scheduled to be received over the next three financial years.

19 As reported in February 2024 it can be necessary to withdraw properties from the Capital Receipts Programme. In the past 12 months 1 property has been identified for removal and is shown on the appendices under the 'Withdrawn Properties' section.

20 In October 2023 Executive Board agreed to further explore the potential disposal 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

21 Following external specialist advice, the Council only progressed the disposal of St George House. The sale was completed on 25 May 2024. It was decided in consultation with the Executive Member Resources and the Interim Assistant Chief Executive (Finance, Traded and Resources) the other properties would be retained for continued income generation.

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

☒ Health and Wellbeing ☒ Inclusive Growth ☒ Zero Carbon

22 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.

What consultation and engagement has taken place?

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

23 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.

24 Ward Members have been notified of the intention to add properties to the Capital Receipt Programme and further engagement with Ward Members will take place as properties are brought forward for disposal. Ward Members have been consulted on the proposed list of properties for Community Asset Transfers and are supportive. In properties where organisations are in occupation, discussions have been held with the tenants.

What are the resource implications?

25 The release of properties and generation of additional capital receipts supports the Council's overall budget proposals.

26 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. The transfer of properties via Community Asset Transfer to community organisations, will allow those organisations the opportunity to secure funding to invest into the property, which may not be available to the Council. In addition, community management leads to reductions in the Council's maintenance and management costs.

27 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 2025 – 2029. Release of properties and realisation of capital receipts is an important source of income to support the medium-term financial strategy.

28 The receipt from some properties may need to deduct the cost of the required wider estate changes and investment, where works are required to relocate services in advance of disposals coming forward.

29 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?

30 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.

31 There are 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.

32 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.

33 The capital receipts programme features in the corporate Risk Register (via the In-year and Medium term financial strategy risks) and is kept under review as changes in the programme,

particularly delays in realising capital receipts, can have major impacts on these risks. Consideration is currently being given to developing a specific risk around the Corporate estate.

34 A key risk in relation to Community Asset Transfer is capacity within community organisations to be able to progress transfers and provide long term, sustainable management for properties.

What are the legal implications?

35 The information contained in exempt 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?

36 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.

37 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?

38 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?

39 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. The programme will be managed by the Chief Officer Asset Management & Regeneration (Interim).

Appendices

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

Background papers

- There are none.