

Executive

26 November 2020

Report of the Interim Director of Place

Portfolio of the Executive Member for Finance and Performance

Update on the Asset Management Strategy 2017-2022

Summary

1. This report sets out progress against the delivery of the Asset Management Strategy for the Council for the period 2017-2022. It sets out work undertaken over the last 3 years to improve the financial performance and social outcomes arising from the Council's land and property assets.
2. The report sets out
 - a. Proposed amendments to the Asset Management Strategy through to 2025 to reflect the importance of the council motion to become carbon neutral by 2030. (Paras 4 to 11)
 - b. The process for assessing future options for council assets
 - c. An update on the progress in delivering the strategy across
 - i. Our Operational Estate(Paras 15 to 24)
 - ii. Community Assets (Paras 25 to 33)
 - iii. Housing Delivery Assets(Paras 34 to 36)
 - iv. Commercial Portfolio(Paras 68 to 82)
 - d. A series of business cases and proposals for lease disposal and acquisition to deliver further strategic benefits to the council. (Paras 37-67 and 83 to 128) These proposals will give rise to future capital receipts of c£5.9m, requiring capital investment of £3.9m, with a positive gross revenue impact of + £490k pa.

Recommendations

3. The Executive is asked to :
 - a) Agree the amended revisions to the Corporate Asset Strategy and to adopt these to shape future asset decisions for which this report will form the “Corporate Asset Strategy 2020-2025”;
 - b) Agree to recommend to full council the establishment of a capital budget of £3.9 million, to fund the acquisition of the Head leasehold interest of the Eco Centre, Amy Johnson Way. Additionally to invest a further £100,000 to fund green infrastructure improvements to the building, providing an increase in revenue and which will be funded from the One Planet York budget. Further, to delegate to the Director of Economy and Place (in consultation with the Director of Governance) to complete the purchase once all due diligence is satisfactorily conducted on the property.
 - c) To note the position on the land forming the riverbank adjacent to Scarborough Bridge, as set out in the report.
 - d) Agree to dispose of Oakhaven for the consideration as set out in the confidential annex 1 in an off market sale with a backstop date for completion of 12 weeks and if this backstop date is not achieved to dispose of the site on the open market.
 - e) To undertake a viability appraisal on the potential disposal of the Morrell House site as part of the Self Build programme and to delegate bring back a further report Executive to agree the disposal route.
 - f) Agree to dispose of the following properties/interests
 - i. Land at Lingcroft Lane, Naburn
 - ii. 2 former herdsman’s cottages (103 Heslington Road to be transferred from the General Fund to the HRA fund and 159 Mount View to be disposed of on the open market)
 - g) Agree to release £120k from the HRA Housing Delivery Programme development fund into the capital budget to review the Willow House and the adjacent estate, undertake public engagement and develop an outline business case for development within the Housing Delivery Programme.

- h) Agree to release £150k from the CYC York Central budget to review the council's land holding on York Central, and develop an outline business case for development within the Housing Delivery Programme.
- i) Agree to lease 29 Castlegate as part of the commercial portfolio and agree to the use of the existing capital budget of £270,000 to undertake maintenance repairs to the property
- j) Agree to lease the Guildhall Business Centre to the University of York/York Science Park Ltd on the terms set out in this report and to delegate to the Director of Economy and Place (in consultation with the Director of Governance) authority to take such steps as are necessary to complete the lease.
- k) Agree that, were it to become available for sale within seven years of the transfer of Haxby Hall, to purchase the existing Haxby ambulance station site within the agreed budget.
- l) To further approve that, if the purchase and lease to Yorkare of the ambulance station site were to proceed, then its permitted use under the lease be restricted to a residential home within Use Class C2 of the Town and Country Planning (Use Classes) Order 1987 or use(s) ancillary to operation of Haxby Hall as a residential home, for a period of at least 25 years from the transfer of Haxby Hall.
- m) Agree to dispose of the council's shareholder interest in York Science Park Ltd for £500k and to delegate to the Director of Economy and Place (in consultation with the Director of Governance or her delegated officers) authority to take such steps as are necessary to complete the disposal.
- n) Note the performance of the commercial portfolio in respect of the impact of Covid 19

Reason: - To establish clear principles to guide and shape future use of our assets and to continue to carry out a programme of proactive work to further shape the commercial and operational property portfolio.

To support the ongoing economic vibrancy of the city, whilst increasing the income from the council's commercial property portfolio.

Amendments to the Asset Management Strategy

4. Executive agreed the Housing Revenue Account (HRA) Asset Management Plan in February 2020 which covers all social housing assets held in the Housing Revenue Account and which sits outside the General Fund.
5. General Fund assets are covered by the current Asset Management Plan 2017- 2021 reported to Executive in September 2017 which needs updating to cover the next 5 years and to incorporate the impacts of the council's commitment to net carbon neutrality by 2030. The current strategy sets out three objectives and a set of principles to drive future asset planning. The Objectives are:-
 1. To use our assets to deliver policy goals;
 2. To operate our estate efficiently and dynamically to support the effective delivery of council services;
 3. To use council assets to generate maximum income in order to support the delivery of council priorities.
6. These objectives are broken down into more detailed principles which guide our activity planning and decision making, the principles are :-
 - a. We will use our assets to maximise positive outcomes for our communities;
 - b. In order to protect direct services we should reduce the overall cost of the estate through:-
 - I. rationalisation of assets
 - II. disposal of poor quality assets
 - III. exploiting commercial opportunities
 - IV. co-location of Council and other public sector services (including Health, care, police, education);
 - c. We will use our commercial assets to generate income to support service delivery;
 - d. We will use our assets to create efficiencies and reduce service costs, for example to reduce reliance on out of city placements for people with complex needs;
 - e. Assets should support CYC and partners to achieve joined up services and improved outcomes - buildings should not be exclusive

to one particular service and community spaces should where possible be flexible and adaptable to support a range of uses.

- f. We will acquire or hold assets to drive economic development or regenerate an underperforming part of the city;
- g. We will use assets to deliver and accelerate housing provision in the city.
- h. We will ensure assets comply with the Council's Sustainability policies and we will explore opportunities, where financially viable, to reduce the carbon footprint and water use across our retained estate;
- i. Assets should be operated/managed by the community where a community group is best placed to deliver outcomes;
- j. We should use assets to support area based working - through a three zone city model;
- k. Where schools become Academies we will work to maximise the use of education land to the benefit of education and wider community use.

7. In 2019 the council set out its ambition for the city to be net carbon neutral by 2030 and in this context objective 2 and principle (h) are insufficient to make the step change required to meet this target. It is therefore proposed that this is upgraded to :-

- To operate our estate **sustainably**, efficiently and dynamically to support the effective delivery of council services and achieve carbon neutrality by 2030 on our estate
- To make the CYC operated estate sustainable, reduce carbon emissions, increase green energy generation and reduce energy and water consumption

8. We have been designated a One Public Estate authority for 5 years which has attracted funding totalling £625k to develop exemplar projects to support the national programme of work designed to :-

- a. Create economic growth (homes and jobs)
- b. Encourage more integrated and customer-focused services
- c. Generate capital receipts
- d. Reduce running costs.

9. The strategy reflects these ambitions and progress to date exemplifies progressive cross-public sector working and demonstrable success in delivering these objectives.
10. Particular projects to highlight are
 - a. York Central
 - b. Community Stadium
 - c. Castle Gateway
 - d. Burnholme
 - e. Bootham Park

Assessing future use of council assets

11. The CYC estate is extensive and varied and there are a number of scenarios that initiate a review of the current or future use of an asset. These include :-
 - a. Service model shifts and requires different space use,
 - b. Current asset no longer fit for purpose
 - c. Asset requires significant maintenance investment
 - d. Budget reductions require a rationalisation
 - e. Potential for sharing an asset with another organisation or service
 - f. Inability to let a commercial property or commercial asset not performing well
 - g. Investment opportunity on the open market
12. The route to develop alternatives and proposals may vary depending on the above scenario but typically involves dialogue between a service, the Asset Management and regeneration teams and Finance, establishing the parameters for the decision, developing potentially multiple business cases that enable evaluation of the financial implications and the (more difficult to measure) social environment and economic impacts. The process for developing options and making recommendations is overseen by the Corporate Management Team who ensure that a comprehensive review of opportunities has been undertaken and that proposals made by services have strategic support.
13. Depending on the scale of the proposals decisions may be taken at different levels. The Financial regulations set out the thresholds for decision making however the community impact/ sensitivity is less easy to calculate and therefore most asset disposals, acquisitions and significant changes of use decisions are taken by Executive or by the Executive Member for Finance and Performance.

Our Estate

14. The councils' property estate (excluding housing) is large and extremely varied with c.1,300 assets with a value of c. £346m (including schools) and generating an annual income of c.£6m. This estate can be classified into four separate blocks:-
 - Operational Estate
 - Community Assets
 - Surplus land for housing delivery
 - Commercial portfolio

Review of Delivery of the Strategy

The Operational Estate

15. The comprehensive rationalisation of the council's administrative accommodation in 2012 culminated in the development of the Council's headquarters at West Offices with its depot located at Hazel Court, James Street.
16. The Council shares, through the granting of occupational agreements, its West offices building with a number of other public sector bodies including the NHS and it provides a crucial one stop site for public sector bodies in York. This also provides considerable revenue to the Council (c. £1m per annum in rent and shared running costs).
17. The onset of the Covid 19 pandemic and a forced move to remote working and remote public meetings, raises potential questions about the use of the building and whether there will be continued demand on the facility as there was pre pandemic.
18. Whilst we are still in the midst of the pandemic and the future is at this stage difficult to predict, what is clear is that the council, like any other major land owner should review its core estate in a post pandemic world to ascertain the future demand on its buildings and consider potential alternative uses and other sites. It is recognised that both the West offices and Hazel Court sites were intensively used and it is in the interests of the prosperity of the city that they continue to be used effectively. It is considered very unlikely that CYC will return to the previous level of use of desk space in West Offices. The future use and layout of West offices will be reviewed as our understanding of the long term impact of COVID on working patterns grows, and it becomes clear what office space and layout is required to support CYC going forward.

19. This is also true of parts of the Hazel Court depot which provide back office space for front line services. Hazel Court will also be reviewed to ensure that it is able to support the future electric fleet. The use of Harewood Whin as a base for the Waste fleet is under consideration with the potential to install a large Photovoltaic (PV) array on the former waste heaps to generate sustainable green energy.
20. It is recommended that a future report be brought to Executive to examine the future use of these assets once the council is in a position to fully understand the impacts of the post-Covid world.
21. Over the last few years we have implemented programmes of service change which have led to remodelling of the operational asset base in our communities e.g. Libraries, Community Centres and Older People's Accommodation. Further programmes are also being implemented to create new facilities at :-
 - The Beehive Project – Centre of Excellence for disabled children located on the former Windsor House EPH site which provides an 8 bed short break facility for children, young people and families across York. There are three key elements – community short breaks using meeting and activity space for families and children, a residential short break with overnight accommodation and a third element which is new to York - a therapeutic short break service for children with really complex behaviours maybe with autism, learning disabilities who are struggling at home and might otherwise need to be considered for an out of area placement.
 - The Centre@Burnhome - Community Hub with Library, sports facilities, nursing and residential care home
 - Mental Health supported accommodation at Woolnough House and Crombie House
 - Marjorie Waite Court – Extra care older persons housing an improved housing management office, and community hall and café.
 - Haxby Hall – Transfer and transformation of the care home to enable the development of a modern high quality care home.
 - Community Stadium - sports, library, health, community Hub

22 The Avenue

22. As set out in the Executive report dated August 2020, Mental Health residential provision is proposed to be developed at Crombie House and Woolnough House. This new provision of accommodation on Council owned land results in 22 The Avenue becoming not fit for purpose surplus

to requirements for its current usage. During the review the assessment of future options no alternative service requirements were identified.

23. The site was considered for use as part of the Housing Delivery Programme. The land value of £180-£200k per unit would be significantly higher than other sites. The site would need to be appropriated into the HRA with associated increase in debt charges of c £70k. With building costs of say £250k per unit of which 30% can be funded by right to buy this leaves a further £1.75m to be funded by HRA resources. Overall debt charges within the HRA would increase by c £130k per annum. . Assuming rent of £120/week (Average HRA rent is £80/unit /week) there would be gross income of only £60k per annum. 22 the Avenue is therefore too small and too high cost for economic development within the Housing Delivery Programme and would lead to fewer homes and fewer affordable homes in the city.
24. 22 The Avenue is located in a highly desirable residential location and in adjacent proximity to St Peter's School. It is considered that a sale value reflecting these factors would generate a significant capital receipt for the council (c£1.7m- £2.22m at current values) The Asset Management Strategy sets out priority usages for council land including service use and use for housing but also identifies the need to dispose of some non-strategic high value assets to balance the capital budget. The Council's Capital Strategy is predicated on capital receipts from the disposal of assets. Executive therefore decided that 22 The Avenue will be disposed of when it becomes vacant to generate a capital receipt.

Community Assets

25. CYC also own and operate community facilities set in communities, some of which are operated by the council whilst others are operated by other organisations such as community groups.
26. We have continued to transfer assets to the community where a community group are able to use the asset for improved community or social outcomes and this process is most effective when it is developed in partnership with communities to develop shared visions, collaborative proposals and when we ensure that groups taking on the responsibility for operating assets have the support and capability to do this successfully. It is fully envisaged that this will continue in the future, with each case considered on its own merits having regard to the business case and proposals submitted in support of such.

27. The following community asset transfers have taken place since 2017. The bowling greens at West Bank Park, Glen Gardens, and Clarence Gardens have been transferred to the respective clubs on 25 year leases. Scarcroft Bowling Club and the RI Bowling Club, Holgate have been transferred on 30 year leases. The Hut, Clarence Gardens has been transferred on a 99 year lease. Tang Hall Community Centre has been transferred on a 30 year lease. Seventeen of the Council's allotments across the authority have been transferred to The Officials of York Allotments Charitable Incorporated Organisation on 7 year leases. All the leases have transferred maintenance and repair responsibilities to the community groups concerned.
28. CYC are responsible for managing the listing of Assets of Community Value (ACV), for consideration by the Executive Member in the Council's statutory capacity as an Asset of Community Value (ACV) listing authority as set out in the Localism Act 2011.
29. There are a number of community assets for which work is ongoing; the future of the 68 Centre youth building on Monkton Road is subject to public consultation which is ongoing and will conclude in Q3 2020 and a subsequent report will be provided to the Executive Member for Communities. The main users of the 68 Centre, Choose 2 Youth, have relocated into Moor Lane Youth Centre recently. The results of the public consultation will consider all options from maintaining the existing building to an alternative use. In the interim the 68 Centre is being used to support refurbishment of local council homes for the next 12 months by being utilised as a storage and welfare facility.
30. In July 2020 Executive agreed the purchase of 153 acres of agricultural land to create a community woodland and contribute to our ambition to be a carbon neutral city by 2030. The purchase was completed at the end of September and the location can now be revealed. The land purchased consists of circa 153 acres of agricultural land and lies to the West of the A1237 ring road at Knapton (see land outlined red on the plan in Annex 1). The land also lies adjacent to the Knapton to Rufforth and Upper Poppleton cycle/foot path and hence already benefits from sustainable transport links which could be extended on to the land itself.
31. The land is made up of 8 fields of varying sizes, currently all planted with crops. The land shown coloured blue on the plan is land within the Council's ownership which is currently leased. This area is circa 30 acres and the existing leases on this land have been ended to bring it within the proposed woodland site. Combining the interests would enable the total area which could be utilised for a new woodland to comprise of approximately 180

acres. It is considered that an area of 180 acres would support the planting of in excess of 50,000 broadleaf trees. A short term agricultural licence is intended to be granted on areas not used for planting in the short term, to ensure a use is maintained for the land.

Riverside Path

32. During the My York Central consultation the need was expressed for improvements to the riverside path between Scarborough Bridge and Jubilee Terrace, to widen the shared pedestrian cycle route, improve lighting and reduce flood risk. The route will augment the new pedestrian and cycle routes through the site. Part of the existing path is on land that the council leases, and that lease expires in 2023. The lease was originally granted to the council by the London and North East Railway Company in 1924, but the freehold is now held by a property company. Engineers are currently assessing whether there are any dilapidations which the council are liable for under the repairing liabilities of their lease. This will form part of the future negotiations to either purchase the freehold ownership of the asset or seek a further long term lease of the asset from the landlord. In order to facilitate the improvements to the path and to ensure long term use of the path it is proposed to extend the lease or purchase the freehold of the land as illustrated on the plan in Annex 2 to deliver an enhanced pedestrian and cycle path to complement York Central.
33. Terms for the purchase (or the taking of a further long term lease) of the land have yet to be agreed as this is dependent upon the dilapidations issue which is being investigated by engineers this autumn/winter. A report will be provided once these investigative works have been completed and further discussions have been undertaken with the owner as to the potential to secure a purchase/ lease renewal.

Assets for Housing Delivery

34. The Older Persons Accommodation programme released the following Elderly Persons Homes from operational use
 - Oliver House – sold and redeveloped as Older People’s accommodation
 - Fordlands Rd – sold and redeveloped as a care home
 - Groves House – sold and redeveloped as a residential scheme
 - Woolnough House now identified for Mental Health facility
 - Willow House - considered below
 - Ashbank - sale contracts have now been exchanged

- Windsor House – currently being redeveloped to create the Beehive, the centre of excellence for disabled children.
- Oakhaven – Considered below.
- Morrell House - Considered below

35. When the Housing Delivery Programme was established in December 2017 and subsequently the following CYC assets were identified as potential development sites.

- Former Burnholme College – In planning October 2020
- Hospital Fields Road/Ordnance Lane – In Planning December 2020
- Former Lowfield School – In construction
- Former Manor School – future phase
- Former Clifton Without School – not yet released for development by the Department for Education
- Woolnough House - now identified for Mental Health facility
- Former Askham Bar Park and Ride – currently used as a Drive through Flu Vaccination centre – in future phase
- Duncombe Barracks – In planning

36. The Housing Delivery programme is making good progress in delivering the target 600 homes with 140 homes under construction at Lowfield and design work underway to deliver another 220 homes across 3 sites at Burnholme, Duncombe Barracks and Ordnance Lane. Reservations on 17 of the 23 homes for sale in phase 1 at the Lowfield site have been taken presently. The remaining sites have some challenges and dependencies which mean that they are not yet ready for development. In the intervening time other opportunities have arisen. It is therefore an appropriate point to review these changes and opportunities.

Willow House

37. Willow House is a former 36 bed residential care home standing on a site extending to 0.76 acres (see plan at Annex 3). The property is situated just inside the city walls adjacent to Walmgate Bar. The immediate surrounding area is comprised mainly of local authority housing. Student accommodation is nearby.

38. In October 2017 Executive approved the sale of the site for redevelopment as student housing. In November 2017 the decision was called in over potential loss of open space. Considered by Corporate and Scrutiny Management and Policy Committee (Calling-in) on 6th November 2017 who referred the matter back to an Executive (Calling-in) meeting on

23rd November 2017, who resolved to sell the whole of the Willow House site as originally approved. In the meantime however the successful bidder withdrew and it was resolved that a further report be submitted to determine on what basis the site should be sold.

39. Following submissions of best and final offers by interested parties, a report was submitted to the Executive on 8th February 2018. It was resolved that the property be sold to a developer who planned to convert the existing single and two storey buildings, to a three storey building containing 36 residential apartments. This involved replacing the existing pitched roof with an extra floor with a flat roof. No on site provision of affordable housing was provided for.
40. The developer submitted a pre-application enquiry for their scheme in March 2018 and were advised by planning that input from design and conservation colleagues, and Historic England was required. Both the design and conservation officers and Historic England objected to the height of the existing building being raised so close to the city walls. It was agreed that the developer would reassess their scheme plan to accommodate the concerns regarding height and massing. However nothing has been forthcoming.
41. Whilst there is a lower bidder that the council could open discussions with instead, the protracted nature of this matter highlights the fact that this is a highly sensitive site being located adjacent to the city wall. The council's Housing Delivery team have undertaken feasibility studies and consider that a viable development option could be provided. A high level viability study has identified potential for c.40 units on the site of Willow House. In addition, it is considered that there may be scope for additional housing development in the surrounding estate alongside improvements to public spaces.
42. It is therefore proposed that rather than marketing the site for a third time that the Housing Delivery Programme undertakes a review of the site and the adjacent HRA estate, undertakes public engagement and develops a scoped proposal and an Outline Business Case for the delivery of mixed tenure housing scheme incorporating the Willow House site and any additional areas identified as part of the public engagement and scoping works. This would require a release of £120k from the HRA development fund. This would be brought back to Executive to release funding for detailed design and planning.

43. If this site is developed as part of the Housing Delivery programme it would be appropriated from the General Fund into the Housing Revenue Account at market value which is currently estimated to be c£2.3m.

Morrell House

44. Morrell House was formerly a 29 bed residential home for old people which closed in 2018 as it was no longer fit for purpose and did not provide the type of accommodation that would meet the needs of our older people. See plan at Annex 4 for the location. The Council's Older Person's Accommodation Programme has worked in partnership with others to enable the provision of an additional 360 care home beds across the city, including at New Lodge care home, Ouse View, Handley House and Burnholme. The programme has also made provision of extra care accommodation at Glen Lodge, and Marjorie Waite Court and supported the provision of extra care accommodation at Auden House and Ashbank/Barleyfields to enable people to live independently with care rather than moving to residential care.
45. Since 2018 no alternative uses have been identified. It is considered too small a site to cost effectively incorporate into our Housing Delivery Programme.
46. As identified in para 25, the Council's Capital Strategy is predicated on capital receipts from the disposal of assets. The site is being matched against the expressed needs of our current Self Build waiting list for potential disposal as part of our self build programme. Further work is needed to assess whether the site is suitable for this use and to develop a business case to identify the up front investment that would be needed to prepare the site and implement the supporting infrastructure and to provide market valuation estimates. If the site is either unsuitable or uneconomic for use for self build then it is proposed that we dispose of the site on the open market. There has not been any developer interest expressed ahead of placing the site on the market.
47. It is therefore proposed that a viability appraisal is prepared and a further report brought to Executive to identify the preferred disposal route.

York Central

48. York Central is one of the largest housing allocations within the draft Local Plan and one of the most prestigious brownfield regeneration sites in the UK. It has outline planning permission and in August 2020 MHCLG agreed a grant of £77.1m to the land owners to fund the enabling access

infrastructure and the Reserved Matters Planning permission will be considered at Planning Committee on the 14th June (subject to the Judicial Review period).

49. CYC have a small land holding on York Central (approx. 5% of the whole site). The Housing Delivery and Regeneration teams have been working with the York Central Programme Director to consider how CYC might develop a mixed housing and community scheme on the site, potentially utilising both CYC land and adjacent and owned by Homes England. This is an exciting opportunity and one that may be best delivered in partnership with another Registered Provider and community self-builders with the possibility of integrating this with some small business start-up space at Foundry Yard
50. It is proposed that this opportunity is worked up into a formal proposition with a procurement strategy to take to Homes England/Network Rail to make this part of the first phase of residential development on the site. A development budget of £150k is required to masterplan the site. If developed this would require the allocation of further HRA development funding to undertake concept design work which may in turn require consideration of the remaining sites in future phases.

Moor Lane Car Park (Former Askham Bar Park and Ride Site)

51. The Moor Lane car park site (former Askham Bar Park and Ride site and see Annex 5) is currently within the scope of the Housing Delivery Programme but no design or engagement work has taken place at this stage and it has remained in use as a car park for. At present the site is being used as a vaccine centre for the city and the duration of such a use is dependent upon the national situation.
52. The council has been contacted by a number of parties expressing an interest in the site previously and these should be furthered if the site is not identified for any other corporate priorities post Covid.
53. Given that both Willow House and York Central are being considered for inclusion into the Housing Delivery Programme and there are other site evaluations to be concluded it is proposed that no further work be undertaken to develop a housing scheme on this site and that a future report will set out options.

Oakhaven, Acomb - Former Elderly Persons Home

54. Oakhaven is a former Elderly Persons Home which closed in March 2016. The property is situated close to the retail centre of Acomb village (see plan in Annex 6). Surrounding uses comprise a mixture of residential and commercial uses. The Police Station adjoins the property with a doctor's surgery being situated directly opposite. Previous plans for the site have included consideration of the inclusion of the adjacent North Yorkshire Police station site. There has been no further indications from NYP that they have plans to dispose of the adjoining police station site.
55. Following a full procurement exercise the Executive on 16th March 2017 agreed to enter a long term lease and care contract with Ashley House, for them to develop a 56 apartment extra care scheme on the Oakhaven site. Ashley House submitted a planning pre- app for the scheme and were advised that there were concerns about the proposed 4 storey scale of the building, the height and the proximity to the road. The Council and Ashley House held a public consultation event where the scheme was generally positively received but there were more comments about the size and height of the building and its proximity to the road.
56. In order to provide a scheme to become planning compliant, Ashley House advised that they would have to reduce the scheme to 48 units and that their operator did not consider that they can make this financially viable. No progress has been since made.
57. The Older Person's Accommodation team have carried out soft market testing with developers to establish the potential interest in the site for extra care apartments. Many developers have been interested in the site for a care home, for independent living apartments or for general needs accommodation. The only interest in extra care accommodation would be dependent on CYC committing to an ongoing revenue contract to fund the care element. No one has indicated that they could make extra care accommodation financially viable on the site as this would generally require a site that can accommodate 65+ apartments and the associated communal facilities. As the previous planning exercise establish, the site is not large enough for this many properties.
58. The site is therefore vacant and no alternative service requirements have been identified for the site. The site has been considered for a CYC Independent Living scheme. A high level viability analysis shows that applying the Housing Delivery Programme's environmental standards and tenure mix could create a scheme with 50-56 apartments with a minimum of 20 social rented and shared ownership properties. In order to be viable this would result in a land value of just £850k. If the site is to be appropriated to

the HRA from the GF then it must be done at market value and this makes the business case unviable.

59. We have received a speculative offer for Oakhaven from a development consultancy who were previously involved in the purchase of the Fordlands care home site. The development consultancy are acting on behalf of a regional care home operator, Burlington Care Limited, who seek to purchase the site to develop a 64 bed C2 Use Class commercial care home facility over part 3 and part 3.5 storeys with staff accommodation using roof space. The developer/ operator considers that there is a shortage of C2 accommodation in the area and the site is appealing given its transport links and local amenities.
60. The financial offer as detailed in confidential Annex 1 is considered to represent market value of the site, following the site's valuation by external agents (See Confidential Annex 2). The interested party have advised that they would pay a 10% deposit and commit to an obligation to submit a planning application 12 weeks after exchange. They also advise they are in a position to submit a planning pre application now if their proposal is supported by Executive and this would be thus undertaken prior to any entering into legal documentation. There are advantages to accepting this offer to lock in the value at pre -Covid levels. An open market exercise may be impacted by COVID 19 suppressing property values. The council budget has been significantly impacted by COVID and there is a need to realise value from vacant assets in the near future. This disposal provides an excellent opportunity to maximise values in a short time scale.
61. This proposal is not an integral part of the Older Person's Accommodation Programme. The programme will continue to address older person's accommodation needs in the city and specifically in the West of the city it is:
 - providing independent living apartments at Lincoln Court,
 - developing mixed tenure bungalows on Lowfield Green,
 - procuring mixed tenure extra care apartments on Lowfield Green
 - working with developers who are keen to provide additional extra
 - care accommodation in the area.
62. The proposal to develop residential care accommodation on the Oakhaven site will however increase the accommodation options for residents in the area and provide modern care accommodation in the heart of a thriving community which will enable the residents to remain part of their neighbourhood and will help to attractive residents families' and staff. The developer has sought information from the Older Person's Accommodation Programme on the supply and demand for accommodation and the results

of recent research into what is important to York's residents about how and where they live in their later years and aims to reflect this in their plans.

63. It is recommended that a limited period of time is granted to the speculative purchaser to work up an implementable planning permission as detailed above. If this is not achieved within 12 weeks of agreeing Heads of Terms the property would be placed on the open market for disposal.

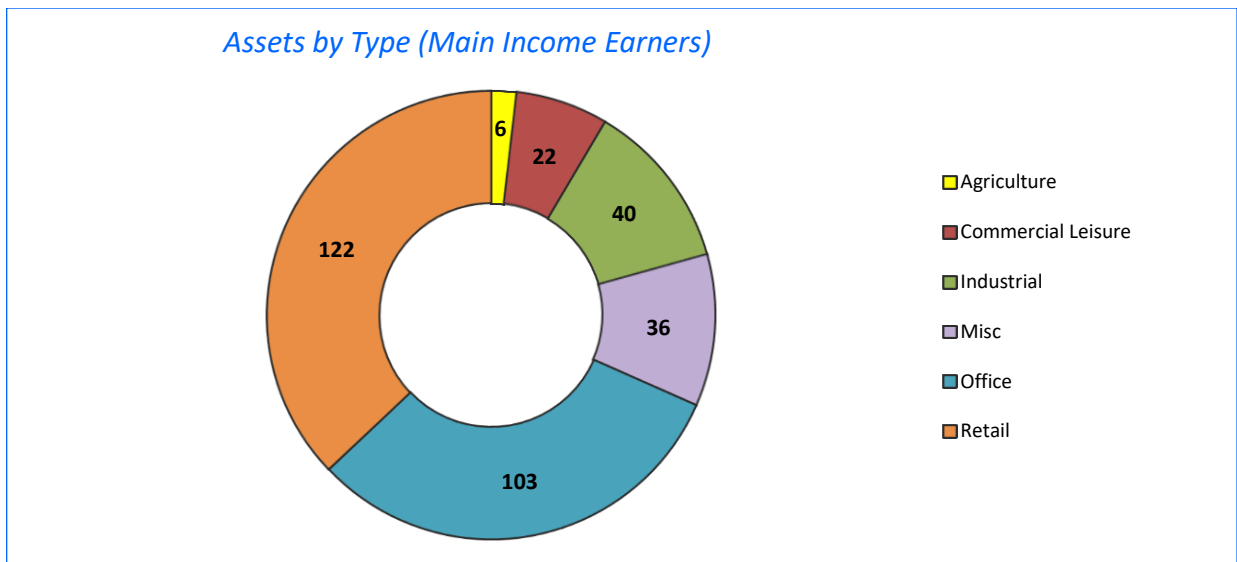
Haxby Hall

64. In January 2020, Executive approved a range of recommendations in relation to Haxby Hall care home including (to provide space for a larger scheme):
- (i) the purchase of the existing Haxby Ambulance Station, adjacent to the Haxby Hall site, should it become available for sale within two years of the transfer of Haxby Hall to Yorkare Homes Ltd ('Yorkare'), at a cost to the Council of £150k.
 - (ii) that, (if the purchase of the ambulance station site were to proceed) to grant to Yorkare a lease of that site (for a term equal to the then remaining period of the lease of the main care home site) in return for Yorkare paying a premium to the Council. (The premium to be an amount equal to any costs incurred by the Council in purchasing the freehold of the ambulance station site which are in excess of £150k).
As a result of the COVID 19 pandemic the transfer of Haxby Hall care home to Yorkare Homes has been delayed.
65. Partners and stakeholders have confirmed that they are focussed on COVID recovery and planning for future services. As a result we will extend the project timetable for the completion of the transfer and this will also be reflected in the legal transfer documents and the commitments to ongoing partnership working. Yorkshire Ambulance Service have indicated that they will not be reviewing their requirements for the Haxby Ambulance Station for some time as they are focussed on preparation for further COVID-19 outbreaks.
66. Executive are therefore requested to extend the timeframe for the Council's retention of funds to support the purchase of Haxby Ambulance station, should it become available for sale within seven years of the transfer of Haxby Hall to Yorkare (at a cost to the Council of £150,000).
67. Executive are also requested to further approve that, if the purchase and lease to Yorkare of the ambulance station site were to proceed, then its permitted use under the lease be restricted to a residential home within Use Class C2 of the Town and Country Planning (Use Classes) Order

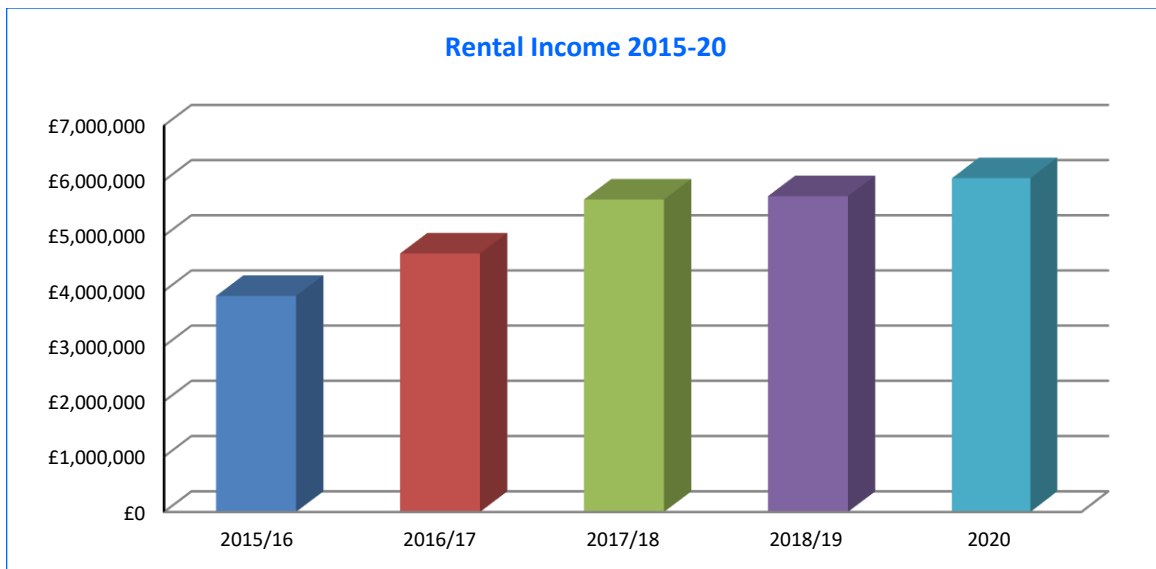
1987 or use(s) ancillary to operation of Haxby Hall as a residential home, for a period of at least 25 years from the transfer of Haxby Hall.

Commercial Assets

68. The portfolio comprises a commercial estate comprising of c.1,300 assets with c.1,100 commercial agreements and which provide an annual revenue income of c.£6 million, including deals under offer. This contains retail, light industrial, office and agricultural properties as well as the commercial lettings at West Offices and a lease of the land that the Race Course grandstand is situated upon. This also includes the recent acquisition of a strategic property in Coney Street which was the subject of an Executive report in November and which was purchased in December 2019.
69. The council has always focussed its commercial estate in York in order to promote and support economic vibrancy and ensure the preservation of historic buildings. Through its ownership of the estate the council therefore, provides accommodation which helps in developing and maintain the city's economy, serving a broad role in meeting social economic and environmental objectives such as regeneration and ensuring the sustainability and vibrancy of the city centre. The Council's ownership of commercial property in York and its pro-active stance to support business have therefore have enabled it to be support the resilience of the city during the Covid 19 crisis.
70. The council's property ownership and its pro activity in offering assistance to its tenants during this unprecedented time has been a crucial part of York's recovery. Whilst, the assets bring in a valuable revenue stream to fund the Council and its services, the council will continue to work with its tenants in the uncertain months ahead with the aim of offering continued support where it is able to do so.
71. The graph below illustrates the composition of the assets which provide for the majority of the council's annual income generated from its asset base. These figures exclude minor agreements as well as operational property such as school and community lettings.



72. The Estate was assembled over a long period of time often to safeguard buildings at risk (the Shambles) or to prepare for large capital schemes. For example, the Council purchased a number of premises on Gillygate for an aborted inner ring road scheme in the 1960s. Many of these assets deliver a good financial yield and the income is an important part of our overall financial strategy.
73. In December 2019 CYC completed the strategic acquisition of a retail property at 25/27 Coney St currently let to Holland and Barratt. The property cost £2.655m and delivers a revenue income net of operating costs and borrowing costs which increases the income of the commercial estate by c.£47k pa. This site has a double width river side frontage and unused spaces above street level which will be considered for development as part of the review of the city centre.
74. The long term financial strategy identified an increased income target of £1m pa over 4 years to 2022 (excluding West Offices for which there was an additional target of £1m pa.) This has been achieved to date through strategic acquisitions such as Swinegate, the unit at Hospital Fields Road Industrial Estate and the recent acquisition of 25/27 Coney St. and plans are in place to deliver the full target. These acquisitions were undertaken on the understanding that the council would dispose of some assets that were to become vacant and surplus to requirements in the coming years. The Asset Management Strategy is therefore predicated upon the disposal of some assets in order to support the acquisition of new ones to ensure the portfolio as a whole meets the changing needs of the council.
75. The graph below shows the growth in commercial rental income since 2015.



76. The 2020 Budget set out an increased income target for the commercial estate and officers continue to explore further commercial investment opportunities and bring back to members opportunities to generate further income whilst enabling the improvement and regeneration of areas of the city that may be struggling to maintain their character or economic vibrancy.
77. With the onset of Covid -19 the council, as a commercial landlord, moved quickly to assist its commercial tenants given the onset of the pandemic in the UK. The commercial rental charges due in the April to June quarter were deferred and with the prolonged national crisis, the Council wrote to its tenants stating that it was willing to consider deferring the quarter's rental due in July.
78. It was recognised that the Covid crisis had and would impact different sectors in different ways and to different extents and hence the council took a decision not to take a one size fits all approach to commercial rent recovery. Instead, individual circumstances have been discussed with tenants with a view of seeking to agree a suitable payment plan, whilst no interest would be charged on arrears from debts accrued from the Covid-19 situation.
79. For the April to September period and excluding invoices sent out in the last 28 days, the council had received 68% of income due. 21% has been agreed to be paid through payment plans ranging in duration from 3 to 24 months depending upon the individual circumstances of tenants. Approximately 11% of the sums invoiced through the period are not as yet subject to repayment plans. Again these are predominantly in areas of leisure, retail and hospitality where some tenants are monitoring the financial recovery situation and are not in a position to as yet agree a

repayment plan. Discussions will continue with those tenants as they will with all tenants.

80. The commercial property portfolio has not experienced a considerable rise of vacancies since the pandemic. As of end September 2020 all available and lettable city centre retail and restaurant commercial property is either occupied or under offer. Whilst it is fully acknowledged that there are uncertain times ahead and that there is a strong likelihood of some future vacancies arising, this is a positive sign for both the portfolio and York as a whole.
81. The council's property ownership and its pro activity in offering assistance to its tenants during this unprecedented time has been a crucial part of York's recovery. Whilst, the assets bring in a valuable revenue stream to fund the Council and its services, it will continue to work with its tenants in the uncertain months ahead with the aim of offering continued support where it is able to do so.
82. The next section of the report sets out further opportunities for the council to be pro-active in the York property market through and sets out these opportunities and details the business cases associated with such;

Opportunities for the Estate

Acquisition of the Head Lease Interest - Eco Centre, Amy Johnson Way, Clifton Moor

83. The Eco Centre (see plan at Annex 7) provides a total area of 19,600 square feet of small business accommodation which provides for 63 suites and is situated on a site area of 1.2 acres on Amy Johnson Way, Clifton Moor, York. The Centre is managed by the Council and it manages all occupational tenants and is responsible for the full repair and upkeep of the building under the current agreement.
84. The site, which was previously undeveloped, was advertised by the Council with the remit of seeking a developer who would design and build an enterprise centre to provide start-up companies with space in an eco-friendly building. The decision to provide the facility was taken by the council in March 2006. It was intended that the Eco Centre become the focus of new business start-ups following the closure of the Fishergate and Parkside small business centres, neither of which were designed for purpose built small business accommodation whilst both buildings were coming to the end of their functional life.

85. The Council is the freehold owner of the site. To enable the project's developer to obtain funding, the Council agreed to offer a 250 year lease to the developer/ property company in return for payment of an up-front one-off premium and then take a lease of the centre back at an annual rent. Initially the operation of the centre was outsourced and was making a loss so in 2015 the responsibility for management of the facility was brought into the council's commercial estate. At present, the rent the council pays is covered by the income it receives from the occupational tenants. The vast majority of the tenants are small, independent businesses and occupancy levels have been increased with the building now fully let or under offer.
86. Under the terms of the original lease to the developer the council could opt to require our landlord to grant us a further lease for a further 10 years. The council currently has a further short term sublease until 17th February 2021, at which point the council could seek to hand back responsibility for management of the building to our head lessee. They may seek to require us to hand back the building with vacant possession, i.e. without any occupiers/subtenants. The head lessee may also carry out a dilapidations survey and potentially seek to require us to carry out works pursuant to our obligation to hand the building back in good and substantial repair and condition. Whilst the council could potentially renew the lease or walk away, the council has sought to establish whether the head lessee would sell its headlease interest to the council by surrendering their head lease back to us, which would enable the council to have full control of the building and its future.
87. The purchase of the head lease of the Centre will provide the council with full control of the site and building, enabling it to provide greater certainty of tenure and rent control to tenants. If purchased, the Council would be responsible for the repair and running of the building as it already is under the current arrangement.
88. If we buy back the head lease of the building, the council can potentially utilise the roof space of the facility to install PV panels, subject to obtaining planning permission and any other necessary approvals. An initial feasibility has been undertaken and it is envisaged that over 200 panels could be installed on the roof. This could potentially generate c.48,000 kilowatt hours per annum with a value of c. £7k per annum of electricity. Costs are anticipated to be c. £75k and hence the payback period for the installation is just under 11 years. An additional £25k is recommended to be set aside for further carbon reduction enhancements to the building, both sums to come from the existing One Planet York budget set aside to make the council more sustainable and reduce carbon.

89. A business case and external valuation report is attached within the confidential Annexes 3 & 4. This illustrates that the purchase of the head lease interest plus setting aside a further £100k investment into the green energy sources as set out above, would generate an additional c.£59k per annum for the council after borrowing and repayment costs. This is compared to the current situation of paying a rental to the developer/ owner of the building. The £100k green investment would be sourced through the existing One Planet York budget.
90. In line with previous acquisitions, should the purchase of the head lease be agreed by Executive then further due diligence legal and survey work will be carried out on the property and considered prior to completing the acquisition.
91. Making this strategic investment in the City would also be consistent with the Council's budget strategy. The budget report for 2018/19 set out an approach to a 5 year budget and identified the need to consider further property investment opportunities. In order to continue this good progress over future years. Given that interest rates are low, property acquisitions perform well when compared to other forms of investment and are capable of delivering higher yields.

Funding of Eco Centre Head Lease Interest

92. It is recommended that a capital budget of £3.9 million is set aside to fund the acquisition of the head lease of the Eco Centre and associated costs. The funding will be provided by borrowing from the Public Works Loan Board (PWLB) and will be repaid from rental income.
93. The outline business case in the confidential Annex sets out the return on the potential investment. The business case is based upon borrowing over 50 years and minimum revenue provision being based on the asset's perceived life. The lease in place on the property provides that the tenant is responsible for ongoing repairs and maintenance of the property.
94. Given current low interest rates, even with making full provision for repayment of the costs of purchase the rental income will provide an additional source of annual revenue, net of borrowing costs. In addition the value of the asset is likely to increase over time.
95. The investment therefore represents a good opportunity to support city centre economic prosperity which has never been so important in the face of the Covid crisis, gives the council ownership of a strategic asset in order to influence future regeneration opportunities and increases the commercial portfolio rental stream.

Guildhall

96. The delivery of the Guildhall project was approved by Executive on 14th February 2019. The project will secure the following key benefits:
 - a. Safeguard the future of this key heritage asset for the benefit of the city, through a once in a generation refurbishment and redevelopment of the complex.
 - b. Deliver a business venue capable of generating up to 250 jobs and over £100m of GVA for the local economy over 5 years
 - c. Enhanced Civic and Community access to the new facilities.
97. The business case presented to Executive back in 2019 assumed a net income from the scheme of £311k pa being generated to fund the scheme, split between income from the serviced office and business facilities (£161k) and the restaurant unit lease (£150k). At that time it was proposed that the operation of the business complex would be undertaken by the council as part of the commercial portfolio, with the council responsible for all staffing, operating and maintenance costs.
98. Strategic discussions with University of York as a key city partner, indicated that as part of their commitment to enhanced and collaborative joint working, they were interested in the potential of leasing the Guildhall complex from the council which would offer them the ability to establish a tangible presence in the City Centre and deliver the strategic benefits for business as set out above.
99. York Science Park Ltd (YSPL) was established in 1991 as a commercial arm of the University and manages the University's commercial property estate offering business space to support business start-up / grow on space. The council has a 9.23% shareholding in the YSPL. The YSPL estate comprises over 130,000ft² of co-working and office space on the Heslington campus, and they have over 130 tenants include some well-known and successful businesses such as Siemens. Approximately 60% of the tenants work with the University in areas such as research and hence there is a strong emphasis on providing accommodation for developmental businesses which are looking into the issues of tomorrow and are shaping the future to come. YPSL's reputation and track record therefore, provide a synergy with the aims of the council in regenerating the Guildhall space for modern accommodation for business occupiers.

100. Negotiations have been progressed with YSPL on the basis that they would enter into a full internal repairing lease on the Guildhall complex (excluding the restaurant) for a 15 year term (with a tenant break option entitling YSPL/the tenant (but not the council/landlord) to terminate the lease early at any time after the initial 5 years on giving the council at least 6 months' notice and, if the break option is exercised during years 6 – 10 of the Term, on YSPL paying the council a sum of money equal to one year's rent) at a rental of £160k pa (with 5 year reviews) which is in line with the agreed business case. Additionally YSPL would be directly responsible for all staffing, operational and routine maintenance costs. The council would remain responsible only for external maintenance of the structure and fabric of the complex, with the support of an annual sinking fund payment of £50k pa from YSPL as tenant.
101. Use of the Council Chamber (and associated meeting rooms) for Full Council Meetings and the Guildhall main hall for Civic and community events will be reserved in the lease agreement at no cost, including the provision for key events in the Civic Calendar; Mayor Making, Annual Freedom Court and Remembrance Day.
102. This lease would enable a strategic city partner to manage the serviced offices and curate the business facilities for the benefit of the City. This approach delivers mutual benefit for the council and the University. YSPL are an established and trusted business brand experienced in meeting the needs of business tenants. Partnership working will secure the significant GVA benefits of the project for the City. The lease agreement also secures over 50% of the project income, removes some of the uncertainty around staffing and operating costs also providing an ongoing contribution to the maintenance of the structure and fabric of the buildings going forward.
103. It is necessary to highlight that this is an off market deal. However, the proposed rental level matches that set out in agreed business case, and this was validated by a previous marketing exercise undertaken in 2016 where offers for the lease were all predicated on a management agreement with the council retaining all the income risk. In this case YSPL are offering to take a lease, and also to assume responsibility for staffing, operating and routine maintenance costs.
104. As set out above the council holds a 9.23% shareholding in YSPL. These are legacy shares, dating from the establishment of the Science Park in 1991. They were transferred from North Yorkshire County Council and vested with the council following Local Government review in 1996. Although the council is represented on the YSPL Board, the majority

shareholder position of the University necessarily prevails in decision making. Through the discussions with the University their interest in acquiring the council's shareholding in YSPL in parallel with their commitment to the Guildhall was highlighted. The shares were transferred to CYC at Local Government Reorganisation at a nominal value of £200K and a valuation has been undertaken which indicated an updated value of c.£426k. Whilst the Council is under no duty to sell its shares, the University has now advised that they have Board approval to offer up to £500k and it is recommended that approval be granted to sell them the shares at this level. This would provide a net capital receipt of £300k.

105. The shareholding is not strategic for the council and does not influence the economic impact of the activities of YSPL. It is therefore proposed that the council's 9.23% shareholding in YSPL be sold to the University to complete no later than July 2021. This will assist in mitigating any conflict of interest with respect to the Guildhall lease by YSPL.
106. The restaurant shell opportunity has been put to the market by our agents, unfortunately the market is very challenging at this time. Offers were previously received in 2018 which validated the market assessment, and a revised lower (more cautious) assessment was used for the 2019 business case. It is suggested that the marketing be paused (in line with advice) until April 2021. The rent achievable will be subject to future market conditions.

29 Castlegate

107. The property (Site plan Annex 8) is a Grade II Listed building located adjacent to Fairfax House museum, which is owned by York Conservation Trust (YCT), and provides 3 floors of accommodation plus a basement. Access into the property is from two separate entrances, via steps from the Coppergate Centre and the other via Castlegate. The property looks out onto the side of Fenwicks.
108. The property was previously occupied by 'Connexions York & North Yorkshire Ltd' operated as a youth inquiry service. The property has been vacant since 2014 and the future of the building was previously reported to Executive in April 2017 where authority was provided to sell the property to YCT for the purposes of an extension to Fairfax House museum, providing new education centre and working Georgian kitchen. YCT had planned to purchase and then lease the premises to York Civic Trust who would operate the centre. The Civic Trust no longer wish to proceed and hence YCT have withdrawn their original offer, although would still be interested in purchasing the building, albeit significantly below Market Value. They

have said they would like to revisit the opportunity to provide an extended museum in the future, but with no firm date/ commitment.

109. The following options have been considered;
1. Dispose of the Property on the Open Market
 2. Refurbish, Lease and Bring into the Commercial Portfolio
 3. Lease to Charitable Body
110. The council could dispose of the property on the open market and it is considered likely that there would be interest in utilising the building for a commercial use or converting the space for residential accommodation. The property was last valued in 2017 at £575k.
111. Selling on the open market prior to improvements made by the Castle Gateway scheme would likely mean we would lose out on any uplift in value from the regeneration of the area. This option is thus not recommended.
112. Advice has been sought from external York based agents prior to the Covid situation who advise there was a good prospect of demand for the space which could be utilised as a cafe and office space where potentially an income of £45kper annum could be derived. Discussing with agents, they consider that this level of income should be attainable once the Covid crisis dissipates.
113. The property would need to be refurbished and a capital budget of £270k was approved in 2019 to bring the property back into use, given the time it has remained vacant. After allowing for borrowing costs for the refurbishment costs, the net income, once let, would likely be in the order of £27k per annum. Given the Covid situation, it is possible that demand for the site may be limited until we are in a post pandemic world.
114. The council has not identified any alternative uses for the site but has been approached by a number of charitable bodies who would like to use the building however the business case for these uses does not bring in any revenue or requires a long term commitment that is not commensurate with plans to regenerate the Castle Gateway area. Given the location of the property, being adjacent to the Coppergate Centre it is considered that the most appropriate use would be to refurbish the property as part of the council's commercial estate which will provide an ongoing revenue to the council. The council will assist the charitable bodies to try and locate suitable property for their aspirations within the city, through its connections with the property owners and agents in the city. Given the

Covid situation and rising vacancies in the city it is envisaged that there will be opportunities to potentially find space elsewhere within the city for them.

Sale of Land at Lingcroft Lane, Naburn

115. The site (see plan in Annex 9) is located in Naburn, situated to the east of Naburn Lane, and south of the Designer Outlet shopping park. It is accessed from the A19 (on the east side of the site) via Lingcroft Lane. The site comprises of approximately 10 acres of grazing land with a range of traditional brick built disused and derelict farm buildings which were leased to a local farmer. A bungalow lies adjacent which is currently let on a residential tenancy and would not form part of any disposal.
116. The whole site had been agreed for disposal by Executive 2013 and bids sought. Whilst bids were received in the region of £300k and a preferred bidder nominated, the sale ultimately did not proceed as detailed legal terms concerning the transfer of the land could not be agreed. As the other offers were subjective/ provided limited strategic outcomes a sale of the land did not occur and the council has retained the land. Since that time it has reverted to agricultural use and an occupational agreement has now terminated following the recent death of the farmer and hence consideration has once again been given to the future use of the land. The rental level which can be attained for agricultural use is c. £1k per annum and hence if a capital value for a scheme could be delivered then the rental yield from the current use is poor when compared to the overall portfolio and hence a disposal is recommended.
117. In its current condition the land would command only an agriculture value which would command a sale rate of £10k per acre. Pre Planning Application advice undertaken, indicates that whilst new development on the land is considered inappropriate the existing farm buildings could be converted into 7 residential units. This conversion should be sensitively done retaining character and be sympathetic to the age of the building providing private amenity spaces which still maintain the open countryside setting.
118. In terms of value creation, it is considered that disposing of the footprint of the derelict barns for residential development (along with land immediately adjacent to provide parking and gardens as outlined red on the plan) would create a capital receipt higher than that previously obtained, whilst strategically retaining the remainder of the site as outlined blue on the

plan. Any disposal would be made on a subject to planning permission basis, with public and stakeholder consultation.

119. It is proposed that the remainder of the land will be retained and used for agricultural use given it is in the green belt and is in close proximity to the outlet centre and park and ride and hence may have considerable strategic value and possibly monetary value in years to come. See plan of the area in Annex 11 which outlines the intended area of disposal.

Sale of Herdsman's Cottages (103 Heslington Road and 159 Mount Vale)

120. 103 Heslington Road comprises of a Grade II Listed two bedroom bungalow with rear garden situated on Heslington Road on the edge of Walmgate Stray and directly opposite St Lawrence's Primary School (see plan at Annex 10). The property was occupied until recently by a CYC Public Realm employee by virtue of a historic 'Service Tenancy Agreement'. The property is currently vacant and internally is dated and in need of refurbishment.
121. The following potential future options for the building have been considered;
- a. Retain in the commercial estate as a holiday let. This would cost an estimated £25k to refurbish and fit out the property. Net income could be achieved in the region of £5k per annum but the ongoing Covid situation would naturally pose a risk to this and there are significant legal hurdles to overcome to accommodate this within the commercial portfolio.
 - b. Disposal - The value is considered to be in the region of £210k, having discussed with agents.
 - c. No other viable service requirements have been identified.
122. Given the likely financial return from a holiday let based on the above and the need for capital expenditure, it is considered that the property should be disposed of.
123. 159 Mount Vale (see plan at Annex 11) comprises a Grade II listed detached 2 bedroom dwelling with brick outhouse. Located in a triangular shaped area of land on the edge of Micklegate Stray marking the entrance to the Knavesmire and falls within the City of York conservation area. Historically the property provided accommodation for the herdsman who was employed by the Council up until the post was abolished in 1996. As the property was no longer tied in with the herdsman's post, Leisure

Services declared the property surplus to requirements and transferred it to Housing, although no formal appropriation took place. It has continued to accommodate social housing tenants up until 2019. Housing Services consider that the property is not suitable given its location and the amount of capital expenditure needed (c.£80k) to bring it to modern standards.

124. No other service requirements have been identified for the lodge. Agents have advised that in its present condition the property would be valued up to £300k. After allowing for the substantial costs to bring the property back into good repair, the net income from a holiday let would be negligible and hence it is recommended that the property is sold.
125. Both of these properties are on land which is part of a Stray, and legal services advise that any disposal either by sale, letting or use by another Council department for operational use would require an advertisement in the local Press under s.123 of the Local Government Act 1972 for loss of Public Open Space and the Public given the opportunity to submit comments. Any comments received would be reported back to Executive Member decision session prior to any disposal.

Former Network Rail Canteen Building, Holgate Road

126. The council own the land as detailed in annex 12 which forms the former canteen building used by Network Rail. The building has not been used for many years and sits adjacent to the land forming Alliance House/ Chancery Rise that Executive approved for sale back to Network Rail in July 2020 to facilitate the relocation of rail infrastructure maintenance facilities from the York Central site. The site comprises approximately 1.6 acres.
127. Given the site is no longer needed for a road access into York Central and the adjacent site is being sold back to Network Rail, there is no strategic rationale in holding the property.
128. It is proposed that work is undertaken to establish what uses could be provided within the building and adjacent land owned by the Council. Once the work is completed then a decision on the future of the site will be sought from Executive.

Council Plan

129. The proposal accords with the Council Plan 2019-2023 in specific regard to the following core outcomes of the Plan;

- An open and effective Council
- Well paid jobs and an inclusive economy.

Implications

Financial –

130. There are a number of significant financial implications surrounding the recommendations in this report. These are considered by themes below;

General Fund Capital Receipts (£5.7m)

131. The report recommends property sales (including 22 The Avenue) that will generate capital receipts to an estimated total of £5.7m. The details of which are set out in Confidential Annex 5.

132. During Executive meetings in October 2016 and July 2017, Members decided to ultimately finance the purchase of property at Hospital Fields Road and Swinegate from Capital receipts. Therefore it should be noted that all future capital receipts are assumed to be used for this purpose in the medium term. This strategy will deliver significant revenue savings, and reduce the need for savings within the revenue budget. These capital receipts support this decision.

Recommended New Capital Budgets (£3.9m)

133. The purchase of the Eco Centre is recommended a budget of £3.9m to fund the purchase. This will need to be funded from departmental prudential borrowing with the income currently being earned to fund the borrowing costs. The business case shows a potential additional revenue of £59k per annum to support the commercial portfolio estate although site will bring additional premises maintenance liabilities. It is proposed that the £100k investment for PV on the site will be funded from the One Planet York budget (see below)

Capital Expenditure funded form approved Capital Budgets (£620k)

The following commitments can be funded from current capital budgets

Property		£'000
Willow House	Local Authority Homes (HRA)	120
29 Castlegate	29 Castlegate	270
York Central Viability	York Central Budget	150
York Eco Centre (PV)	One Planet York (Carbon Reduction)	100
Haxby Hall	OPA – Haxby Hall	150
		790

134. Whilst Willow House remains within the General Fund, should there be an approved deliverable scheme for the Housing Delivery Programme it will be necessary to appropriate the land into the HRA at market value (estimated value of the site is £2.2m). This would lead to an increase in the debt charge to HRA of £77k and consequent reduction of debt charge to the General Fund.
135. There is budget set aside within the capital programme for the structural works at Castlegate The additional revenue that is estimated (£45k per annum) will fund the borrowing costs (£18k) and provide a net ongoing revenue to support the council's commercial portfolio budget.
136. As reported at July 2020 there remains £1.592m unallocated from the York Central budget. An allocation of £150k to fund the housing masterplan for the first stage of residential / community use on the site. (Contributions from the partners will be sought to support this masterplan work). This will leave a budget of £1.442m unallocated in the York Central Budget.
137. The One Planet York budget was created to enable schemes in the capital programme to deliver higher environmental benefits than would otherwise be the case. The budget of £690k in 2020/21 has funds available to provide enhanced Photovoltaic panels on the Eco-Business Centre.
138. The Haxby Hall expenditure is funded from the overall Older Persons Accommodation project. The decision sought in this report only changes the potential timing of any further expenditure commitments. The costs of the ambulance station land can be contained within the existing budget.

Other Financial Implications

139. The lease of the Guildhall to YSPL provides the same level of net income that was assumed within the Business Case for the operation of the business centre.
140. The sale of CYC shares in YSPL will provide a profit of £300k which are treated as a capital receipt. Elsewhere on the agenda it is recommended that this receipt is used to support additional expenditure incurred on the Guildhall Project.

Human Resources (HR) – None

Equalities – There are no equalities implications

Legal – Open Space

141. Section 120 of the Local Government Act 1972 (LGA 1972) gives the council power to purchase land/property:

- (i) for the purposes of any of its functions under that Act or any other Act or
- (ii) for the purposes of the benefit, improvement or development of the council's area or
- (iii) for any purpose for which the council is authorised by that Act or any other Act to acquire land

Section 123 of the LGA 1972 gives the council power to dispose (including by granting a lease of) of land/property (including for less than open market value/best consideration) without needing specific consent from the Secretary of State for Housing, Communities and Local Government provided that the Council is satisfied that:

- (i) the purpose of the disposal will facilitate the improvement of the economic, environmental or social well-being of the Council's area
and
- (ii) the difference between the price/rent being obtained by the council and open market value/best consideration is less than £2 million).

For the purposes of Section 123 of that Act 'open space' is usually land which falls into any of the following three categories:

- (a) used by the general public for recreation
- (b) land laid out as a park/pleasure ground
- (c) disused burial ground

The "Herdsman's Cottages" at 103 Heslington Road and 159 Mount Vale are respectively located on Walmgate Stray and Mickelgate Stray. Those Strays are widely used by the public for recreation and therefore 'open space' land. Although the general public have not enjoyed access to either 103 Heslington Road or 159 Mount Vale, it could still be considered that (pursuant to a High Court decision issued a couple of years ago) these two properties are also 'open space' for the purposes of the relevant legislation as:

1. they were originally constructed to accommodate herdsman when the Strays were used by the Freemen for grazing; and

2. subsequently the Council granted tenancies to personnel employed to open/close access gates when the public began to use the Strays for recreation.

Further, whilst 159 Mount Vale may most recently have been used by Housing, it was never formally appropriated from Leisure/General Fund to the Housing Revenue Account and Housing no longer have a wish to use/manage that property.

It is therefore recommended that 103 Heslington Road and 159 Mount Value be treated as 'open space'. Accordingly, before the Council disposes of either of those properties (either by sale or grant of lease) it should (pursuant to Section 123(2)) first place a notice in a local newspaper in two consecutive weeks and then consider any comments/objections received prior to entering into any sale contract/lease/transfer deed.

Powers to Invest

Under Part 1 of the Local Government Act 2003 a local authority may borrow or invest money for any purpose relevant to its statutory functions or for the prudent management of its financial affairs. The powers of General Competence enable the council to operate a commercial portfolio. The Local Government Act 1972 gives the council powers to acquire any property or rights which facilitate, or is conducive or incidental to, the discharge of any of its functions.

The council will need to ensure that in exercising its investment and borrowing functions to expand its commercial portfolio, that any actions are reasonable and proportionate. Investment decisions need to be taken mindfully at all times of the council's fiduciary duties to ensure the sound management of the public finances.

Procurement

142. Any procurement activity will be carried out in accordance with the council's Contract Procedure Rules and the Public Contracts Regulations 2015 (PCRs), as appropriate.

Crime and Disorder – None

Information Technology (IT) – None

Property – Implications are included in this report.

Risk Management

143. In respect of the property acquisition outlined at the Eco Centre, there is a risk that the value of the property may decrease over time. There is also a risk that there may be a level of empty properties or voids. The business case makes provision for that risk and specialist advice has been obtained to provide an independent view of the commercial opportunity. Market advice will be sought on the disposals identified to obtain both best value and optimum timing for disposals for the Council.

Contact Details

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Report
Approved



13/11/20

Specialist Implications Officer(s) List information for all

Financial
Patrick Looker
Finance Manager
551633.

Legal
Cathryn Moore
Legal Manager
552487

Wards Affected

All

For further information please contact the authors of the report

Background Papers:

CYC Asset Strategy 2017-2022

Annexes

Confidential Annex 1 Oakhaven Offer
Confidential Annex 2 Oakhaven Valuation Report
Confidential Annex 3 Eco Centre Business Case
Confidential Annex 4 Eco Centre Valuation Report
Confidential Annex 5 Capital Receipts Forecasted

Annex 1 Land West of Knapton Plan
Annex 2 Riverside Pathway Plan
Annex 3 Willow House Plan
Annex 4 Morrell House Plan
Annex 5 Former Askham Bar Park & Ride Plan
Annex 6 Oakhaven Plan
Annex 7 Eco Centre Plan
Annex 8 29 Castlegate Plan
Annex 9 Lingcroft Lane Plan
Annex 10 103 Heslington Road Plan
Annex 11 159 Mount Vale Plan
Annex 12 Former Canteen Building Plan

Wards Affected: All

For further information please contact the author of the report

List of Abbreviations

YSPL - York Science Park Ltd