

# CARDIFF COUNCIL CYNGOR CAERDYDD

**CABINET MEETING: 21<sup>st</sup> November 2016**

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## **PROPERTY INVESTMENT ESTATE**

### **REPORT OF THE DIRECTOR OF ECONOMIC DEVELOPMENT AGENDA ITEM:**

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#### **PORTFOLIO: LEADER (ECONOMIC DEVELOPMENT AND PARTNERSHIPS)**

The appendices to this report are not for publication as they contain exempt information of the description in paragraph 14 of part 4 and paragraph 21 of part 5 of schedule 12A of the Local Government Act 1972

#### **Reason for this Report**

1. To seek Cabinet approval for the Investment Estate Strategy 2016-2021

#### **Background**

2. The investment estate is a portfolio of non-operational property held by the Council for the purpose of generating income to support the Council's revenue budget. The estate is managed by the Strategic Estates Department and an inaugural investment strategy has been prepared following a detailed review of the portfolio. See Appendix 1 to this report
3. A new approach to the investment estate was approved by cabinet on 12<sup>th</sup> November 2015 recommending: -
  - All commercial income producing property be held corporately, managed by Strategic Estates, with associated budgets realigned.
  - The establishment of a new investment estate governed by a newly formed investment board.
  - Capital receipts generated from the sale of investment estate assets be reinvested to improve the yield in existing properties within the estate or used to purchase better quality and better yielding assets.

#### **Issues**

4. The absence of an Investment Strategy has meant that the Council's property assets have historically been managed purely on a reactive basis. The implementation of the Investment Estate Strategy will allow the Council to proactively manage assets more effectively with the aim to improve the performance of the estate.

## Progress to Date

5. All income producing commercial properties are now directly managed by Strategic Estates and budgets have been realigned.
6. Jones Lang La Salle (JLL) have been appointed as the Council's external property advisor. They will be consulted on all property transactions affecting the Estate and have assisted in the property strategy review
7. A Property Investment Board has been established to make decisions regarding the estate and comprises officers from Strategic Estates, Capital and Service Accountancy and representatives from JLL. The board meets monthly and decisions made are reported to Asset Management Board, chaired by the Chief Executive for further approval. The cabinet member with responsibility for the investment estate is consulted as part of this process.
8. A new comprehensive Master Property Schedule has been produced to include all lease information, rental income, capital values and a flagging system to highlight upcoming rent reviews and lease renewals.
9. A high level review of the property estate has been carried out and provides a detailed understanding of the Council's property holdings and ways to improve the performance can now be considered.
10. A RAG system has been allocated to all the properties on the Master Schedule, indicating what the Council should do with each individual property. See Appendix 2 of this report.

Red – Release  
Amber – Remodel  
Green – Retain

The status of each asset will be subject to change as the review is ongoing.

## The Investment Strategy 2016 – 2019

12. The corporate objectives for the Investment Estate Strategy will focus on a strategy to deliver over five years in order to improve the estates performance. The key activity will be to carry out a detailed review of each asset and implement an annual plan.
13. The second area of work will focus on reviewing the operational estate to identify opportunities to generate rental income from properties that may be underutilised or surplus to requirements.
14. In order to generate rental growth the strategy will consider the acquisition of property investments. There will be a number of factors to take into account such as yield, location, covenant strength of tenant, lease length and lease repairing terms. It has been established that capital receipts

generated from sales of properties within the estate can be reinvested in existing assets or can be used to purchase new investment properties.

The investment estate currently includes approximately 200 assets worth £67m and generating an income of £3.4m. This presents a gross yield of 5%. The five year strategy aims to increase the return to 6% and this would represent a 20% improvement on the performance of the estate.

### **Performance Management and Monitoring**

15. Progress will be kept under constant review and a report to cabinet will be prepared on an annual basis reporting activity and rental growth.

### **Reason for Recommendation**

16. To implement the Investment Estate Strategy

17. **Financial Implications**

### **Legal Implications**

### **The Council has an underlying fiduciary duty to ensure value for money from the acquisition management and disposal of public assets** **RECOMMENDATION**

The Cabinet is recommended to;

18. To approve the Investment Estate Strategy 2016 - 2021

**Neil Hanratty**  
**November 2016**

The following Appendices are attached:

Appendix 1- The Investment Estate Strategy 2016-2021

Appendix 2 Investment Estate Schedule