
Corporate Land & Property Management Plan 2018-19

Reason for the Report

1. To provide the Committee with an opportunity to consider the Council's Corporate Land and Property Management Plan 2018/19 (CLPMP) within the context of the Council's five year Corporate Property Strategy (2015-2020).
2. For clarity, the papers attached to this covering report are:
 - Appendix A:** Cabinet Report – 15 February 2018.
 - Appendix B:** Corporate Land & Property Management Plan 2018/19.
 - Appendix C:** Corporate Property Strategy 2015/20.
 - Appendix D:** Property governance chart

Background

3. The Committee has responsibility within its Terms of Reference for scrutiny of the Council's property estate, which comprises both 'operational' property (from which the Council operates and delivers its services), and 'non-operational' or 'investment' property (which is often let for commercial return or to promote local employment, small businesses and the economic regeneration of local areas). The Council's operational and non-operational estates both fall within the Cabinet's Investment and Development Portfolio.
4. In 2015 the Council published its five year Corporate Property Strategy (2015-20), attached for background information at **Appendix C**, establishing clear targets to deliver the three strategic objectives of modernisation, rationalisation and

collaboration. Delivery of the Strategy is set out in an annual implementation plan, the CLPMP attached at **Appendix B**, which was considered and approved by Cabinet in February 2018 (report attached at **Appendix A**). The Plan has annual targets contributing to the five-year targets in the Property Strategy, outlines plans for the year ahead, and provides explicit targets relating to the reduction in the size and cost of the Council's estate. The cost of running the Council's estate is second only to staff costs and as such, the way the Council delivers its services and the operational estate both offer on-going opportunity for review.

5. The Council's draft Corporate Plan 2018-21 refers to Assets and Property within the Capital Ambition Working for Public Services Priority as follows:

Modernise the management and operation of the Council's estate to achieve fewer but better buildings by:

- *Completing the comprehensive review of the Council's estate by the end of 2018*
- *Fully establishing the new Corporate Landlord delivery model to ensure all of the Council's estate is compliant by the end of 2018.*

Key Performance Measures/targets to monitor progress are:

- *Reduce the gross internal area (GIA) of buildings in operational use* 4%
- *Reduce the total running cost of occupied operational buildings* 3.1%
- *Reduce the maintenance backlog* 5.4%
- *Capital income generated* £15,190,000

Governance Arrangements

6. For clarification, a diagram of governance arrangements in respect of property matters is attached to these papers at **Appendix D**.
7. The Asset Management Board oversees implementation of the CLPMP, where the Chief Executive and Cabinet Member for Investment & Development ensure corporate oversight of the administration's objectives and strong links to the Asset Management

Programme Board of Cardiff's Public Service Board, providing opportunities to work closely with other public sector partners.

8. The Investment Estate Board governs the Council's investment estate. The intention is that capital receipts generated from the sale of investment estate assets are reinvested to improve the yield of existing properties within the estate, or used to purchase better quality and better yielding assets. For governance purposes the Investment Estate Board reports to the Asset Management Board

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9. The CLPMP Cabinet report at **Appendix A** highlights that the optimisation of property assets to support the Council's objectives requires an effective corporate approach to land and property management. Such an approach is the basis of the Corporate Landlord Model, progress on which will be reported to Cabinet in May 2018.
10. The Cabinet has stated it will embark on an enhanced land and property disposal programme to generate £40million over the next five years, the first £25million of which will fund the Council's contribution to the Band B Schools Organisation Change Programme.
11. The CLPMP 2018/19 at **Appendix B** sets out the properties in scope for 2018/19, and will be delivered by the Strategic Estates Department (SED). It introduces two new work streams: implementation of **the Corporate Landlord**; and a **Medium Term Disposal Programme** 2018/19 to 2022/23 to deliver capital receipts of £40million over the next five years.
12. The four key CLPMP targets are revenue reduction, maintenance reduction, floor space reduction and capital receipts. The document provides an update as to progress on the 2017/18 property programme, the proposed programme for 2018/19, an up-date on non-operational completed transactions for 2015/16, 2016/17 and 2017/18, an update on office rationalisation, and an outline of the four-phase, twelve year 21st century schools programme.

13. The CLPMP report re-enforces the Corporate Strategy of treating property as a corporate resource and this approach forms the basis of the new Corporate Landlord Programme established early in 2017. The Corporate Landlord programme aims to create one cohesive operating model for the organisation leading on all non-domestic property matters. The programme will ensure that

- i. Operational buildings are safe and legally compliant in relation to health and safety
- ii. Strategic direction of the estate is aligned with property management, maintenance and design services
- iii. The programme is supported by suitable IT and data systems
- iv. Service areas are aware of landlord and tenant responsibilities through effective communication and corporate understanding
- v. Assess and mitigate compliance risk within the operational estate
- vi. There is a clear focus on building relationships to support stakeholders and customers.

14. The Medium Term Disposal Programme for 2018/19 to 2022/23 will aim to deliver £40million additional capital receipts over the next five years. However, the first £25million will fund the Council's contribution to the Band B Schools Organisational Change Programme.

15. The CLPMP includes a new review to identify the properties that could be sold to generate the capital receipts required. This will be concluded in autumn 2018, at which point there will be a report to Cabinet with a New Disposal Strategy and list of assets designed to deliver the required receipts over the five-year period and a report will be tabled for consideration by the Cabinet in Autumn 2018.

16. Members are reminded that this Committee agreed an ongoing task and finish inquiry, on its 2017/18 work programme, titled *Managing the Estate under a Corporate Landlord Model*. The task group has completed its evidence gathering and will report its findings and recommendations to the May meeting of this Committee for approval, prior to submission for consideration by the Cabinet.

Previous Scrutiny

17. The Committee has routinely scrutinised the Council's approach to property matters and management of the Council's estate on previous work programmes, following which letters have been sent to the relevant Cabinet Member. For information, and to inform the scrutiny, Members previous concerns and recommendations have centred around:

- The importance of considering the community and social benefit of Council property, as well as financial considerations;
- Community asset transfers requiring a sound business case and the community capacity to take on the buildings;
- The risk to income of disposing of capital assets;
- Reassurance that disposals are assessed against an ethical and community focussed framework for investment;
- The importance of preserving the quality of the public realm in prominent locations to prevent over development with bland options;
- Acknowledging that the Council would look to capitalise on opportunities that may arise out of redevelopment schemes where it could share in the development value;
- Support for the retention of strategic sites in the city centre as Cardiff is short of hotel space;
- Fully endorsing the retention of some public houses for income purposes, and others for community benefit;
- Requesting clearer performance targets to measure IEB progress, to enable Cabinet and Scrutiny to evaluate the success of the Corporate Property Strategy over the next 5 years;
- Continuing to regularly consider progress;
- Engaging Members in property deals that are planned within their wards.

18. Following scrutiny of the draft Corporate Plan in February 2018 the Committee wrote to the Leader in respect of the Council's aspiration to deal with the asset maintenance backlog via the Corporate Landlord Model. Members commented "*we are reassured that asset management governance has been strengthened, care will be taken to*

achieve the best value for Council assets disposed of, and also not to release assets that could weaken the Council's position. We are however concerned as to whether receipts from the disposal of surplus property will be great enough to support a £40m maintenance backlog".

19. The Committee has previously stated it recognised that accountability for decisions taken by the Investment Estate Board would sit with professional officers advised by commercial advisers, reporting to the Leader, with an annual report of its activities included in the Council's Asset Management Plan for Cabinet consideration. Therefore, its interest would be in the performance of the Board in maximising income from the Council's estate.
20. The Committee has requested an annual report to the Policy Review & Performance Scrutiny Committee on the performance of the Investment Estate Board; supported by a cash flow statement outlining all sources of income and allocation of funding. The Cabinet response to this request indicated that the investment board would be pleased to provide an annual report to the Committee together with a cash flow statement.

Way Forward

21. The Cabinet Member for Investment and Development, Councillor Russell Goodway, has been invited to attend the meeting and may wish to make a statement. Neil Hanratty, Director for Economic Development, Tara King, Assistant Director Commercial and Collaboration, and Helen Jones, Strategic Estates Manager, will be in attendance to answer Members' questions.

Legal Implications

22. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters, there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or

without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

23. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters, there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATION

The Committee is recommended to consider the information presented in this report and at the meeting; and whether it wishes to make any comments or recommendations to inform the Cabinets approach to estate management.

Davina Fiore
Director of Governance & Legal Services
12 April 2018