

POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

18 APRIL 2018

Present: Councillor Walker(Chairperson)
Councillors Berman, Bowen-Thomson, Boyle, Owen Jones,
Mackie, McKerlich and Murphy

119 : APOLOGIES FOR ABSENCE

Apologies were received from Councillor Cunnah.

120 : DECLARATIONS OF INTEREST

No declarations of interest were received.

121 : MINUTES

The minutes of the meeting held on 14 February 2018 were approved by the Committee as a correct record and we signed by the Chairperson.

122 : CORPORATE LAND AND PROPERTY MANAGEMENT PLAN 2018/19

The Committee received a report providing an opportunity for Members to consider Council's Corporate Land and Property Management Plan 2018/19 (CLPMP). Members were advised that in 2015 the Council published its 5-year Corporate Property Strategy 2015-20, appended to the report at Appendix C. This Strategy established clear targets for the delivery of the strategic objectives of modernisation, rationalisation and collaboration. The delivery of the Corporate Property Strategy is set out in an annual implementation plan (CLPMP). The implementation plan for 2018/19, appended to the report at Appendix B, was approved by Cabinet in February 2018.

The CLPMP sets annual targets that contribute to the five-year targets in the Corporate Property Strategy. The CLPMP also outlines plans for the year ahead and provides explicit targets in terms of reducing the size and cost of the Council's estate, the cost of which is second only to staffing costs.

The draft Corporate Plan 2018-21 also makes reference to the Council's property estate 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 targets to monitor progress against the above objectives were summarised in the report. The report also included a summary of the governance arrangements in respect of property matters.

Members were advised that the Cabinet Report of February 2018 highlighted that the optimisation of property assets to support the Council's objectives requires an effective corporate approach to land and property management. The Corporate Landlord Model offers such an approach, the progress of which is scheduled to be reported to Cabinet in May 2018.

The Cabinet has stated that it will embark on an enhanced land and property disposal programme to generate £40 million over the next 5 years; the first £25 million of which will fund the Council's contribution to the Band B 21st Century Schools Programme.

The CLPMP sets out the properties in scope and introduces two new workstreams to deliver capital receipts of £40 million over the next five years, namely the Corporate Landlord and the Medium Term Disposal Programme. The Plan also includes four key targets: revenue reduction; maintenance reduction; floor space reduction; and capital receipts. The Corporate Landlord programme aims to create one cohesive operating model for the organisation leading on all non-domestic property matters. The Medium Term Disposal Programme will aim to deliver £40 million of additional capital receipts over the next five years.

The Chairperson welcomed Councillor Russell Goodway, Cabinet Member for Investment and Development, Neil Hanratty, Director; Tara King, Assistant Director and Helen Thomas, Operational Manager to the meeting. The officers were invited to deliver a presentation on the Corporate Land and Property Management Plan 2018/19.

The Chairperson opened the debate and invited Members to comment, seek clarification or raise questions on the information received. Those discussions are summarised as follows:

- Members asked officers to explain the objectives of the strategy, and how these would help reduce the Council's estate maintenance backlog. Officers stated that the main objective was to generate £40 million in capital receipts. This would reduce the size of the estate and, therefore, reduce the maintenance backlog. Officers were unable to predict when the 'repair bill' would be eliminated; however, the majority of the maintenance backlog is schools related. Investment in the school estate via the 21st Century Schools Programme will assist in reducing the maintenance backlog. Members were asked to note that the maintenance backlog in the core office estate was increasing and was estimated to be in the region of £100 million.
- Members noted that the return on commercial leases was approximately £500,000 per annum. Members asked whether this sum represented a good rate of return and asked officers to explain how the rate of return is evaluated. Members were advised that properties in the commercial estate are currently under review. Some properties are leased and provide an income – others are put to community use and do not provide an income. In terms of the investment estate, each individual asset is being assessed. The estate management is intensive and the review is seeking to establish maintenance responsibilities.

- Responding to a question from the Committee, officers confirmed that running costs diminish once assets are released. The service area is on track to meet its targets in this regard.
- Members asked whether the service area is seeking to engage with members of the community in order to improve cost effectiveness. Officers stated that recent improvements in Cardiff Central Market are a good example of this in practice. All stalls are tenanted and new co-terminus leases have been introduced. The new leases ensure that all parties are aware of their responsibilities and this has helped foster better relationships with stall holders.
- The Cabinet Member stated that the authority would need to change its approach to community asset transfers. The residual risk for asset transfers remains with the authority and the authority may need to reconsider how these are discharged.
- When disposing of non-operational estate assets, Members asked whether consideration is given to the facilities they provide. Officers confirmed this is the case. As new schools are built consideration is given to how these new facilities may be used by community groups, instead of groups having their own assets. Community groups can make use of better buildings that support a variety of uses. Community asset transfers will need to be reconsidered as the authority may be handing over assets that are no longer fit for purpose.
- Members noted that two disposals in 2017/18 were delayed and asked whether lessons had been learned. The Director stated that when Howard Gardens was sold it was subject to contract. The site needed primary planning consent. The disposal of Wedal Road was ready to be completed prior to 31 March 2018, but the officer decision was 'called-in' for scrutiny and this had resulted in a delay. The five-year strategy allows for capital receipts to be delivered against a target and these do not necessarily fit within the financial years. In terms of the 5-year programme, the Council is well ahead of its target.
- The Cabinet Member stated that the Committee was correct that there are political pressures around the disposal of assets in some wards. A list of future disposals would be forthcoming in the autumn, and the list is likely to include sites where there may be some resistance.
- A Member asked, as the authority is looking to move to a position whereby community assets will either be invested in or disposed of, would there be less scope to retain assets in the future, and would there be consultation with communities. The Cabinet Member stated that he was happy to share any proposals. The Council is aware of concerns but account must be taken of the condition of these assets, as the authority is still responsible for maintenance and repairs after assets are transferred. The Council must ensure that all works and repairs comply with regulatory standards. The Cabinet Member said it might be helpful to consult with colleagues in order to find an acceptable mechanism.
- Members asked how the authority intends to maximise returns on the disposal of assets. Members also asked how the £40 million target set out in the CLPMP had been calculated. Officers indicated that disposals to partners in the public sector are governed by Welsh Government protocols. The default position is to offer all

disposals to public sector partners in the first instance before placing them on the open market. The £40 million figure is based on market values.

- Officers were asked to provide an explanation of 'investment yield'. The Committee was advised that investment /yield reflects the rate of return on investments within the portfolio. These can range from ground rent at 2% to other assets that yield 15%. The service area is seeking to increase yield and reduce costs.
- Officers stated that Welsh Government protocol around disposals between public bodies requires that an independent valuation be sought. This also applies to the Housing Revenue Account. The authority will shortly be disposing of land at Dumballs Road to the Housing Revenue Account at an agreed valuation. The valuation will be calculated using a prescribed methodology.
- The Committee noted that in 2015 the target for capital receipts was £20 million and in 2018 the target is £40 million. Members asked whether such a target carries the risks that in 20 years' time the target may not have been a prudent one. The Cabinet Member stated that there were many risks.
- Members asked where the potential purchase price is known will that affect negotiations. Members were advised that the purchase price is a guide price only and it does not substantially affect negotiations.
- Members considered that the CLPMP did not provide justification for disposing of the assets listed. Members suggested that if the context were known then disposal would be easier. The Cabinet Member stated that the Council is seeking to rationalise and deliver its activities more efficiently and, therefore, a series of considerations will apply.
- Members asked at what point it is considered that a building falls below the required standards in terms of service provision. Officers advised that property audits provide information on how buildings are being used and what services are being provided. Better-informed decision-making is able to take account of service needs and potentially offer better facilities in the future e.g. community facilities in Band B schools.
- A Member considered that the strategy was realistic, in contrast with recent evidence the Committees Corporate Landlord task and finish inquiry had received from Bristol City Council. The Member asked whether the authority was settling for a realistic rather than an aspirational strategy. The Cabinet Member stated that the challenge to find £25 million in capital receipts for Band B schools arose in the current year when the Welsh Government confirmed its £285 million investment. The programme is ambitious and risk is inevitable. The proposals will be monitored and revised if necessary. However, the administration's priority is to replace school buildings that are now beyond their useful life.
- Officers confirmed that the Central Market is achieving a balanced budget and all leases are now co-terminus.

- Members asked how important it was that building conditions are made satisfactory, rather than the asset being disposed of. Officers stated that Condition Surveys are key to those decisions. An assessment on any maintenance backlog is made and this information is used to inform decision-making.
- Members noted that the long-term plan is to reduce the number of staff locations. Members asked how many staff locations would be retained. The Committee was advised that the authority is looking at options around its core office estate, including moving to a single location. The Cabinet Member stated that it was envisaged that such a facility may not be a stand-alone Council building; there was potential for a public service hub. Discussions with public sector partners and Ministers are ongoing. The Cabinet would hopefully be asked to consider a business case prior to the summer recess.

AGREED – That the Chairperson writes to the Cabinet Member on behalf of the Committee to convey their thoughts and observations.

123 : DATE OF NEXT MEETING

The next meeting is scheduled to take place on 16 May 2018.

The meeting terminated at 5.50 pm