

My Ref: T: Scrutiny/PRAP/Comm Papers/Correspondence

Date: 23 November 2016

Councillor Phil Bale
Council Leader,
Cardiff Council,
County Hall
Cardiff
CF10 4UW



County Hall
Cardiff,
CF10 4UW
Tel: (029) 2087 2087

Neuadd y Sir
Caerdydd,
CF10 4UW
Ffôn: (029) 2087 2088

Dear Councillor Bale,

**Policy Review & Performance Scrutiny Committee: 15 November 2016
Investment Estate Strategy 2016-21**

As Chair of the Policy Review and Performance Scrutiny Committee I wish to thank you for attending Committee in respect of the Council's Investment Estate Strategy 2016-21. Members welcomed the opportunity for pre-decision scrutiny of the proposed Strategy, and following their discussion at the Way Forward have asked me to pass on their comments and observations.

The Committee acknowledges that this Strategy represents a step change in the Council's management approach of maximising the benefits from its estate. We are reassured that the new strategy is focussed on generating more income from the Council's non-operational property.

Members were pleased to welcome the Council's commercial property adviser, Jones Lang La Salle, and took on board their view that changes in the economy, poor performance of suburban retail property, and the 2018 deadline by when it will become illegal to trade any property with an EPC of F or G, means it is sensible to re-profile the portfolio at this point in time.

We are particularly pleased to note that where the Council sells a property the proceeds will be ring fenced to remodel existing properties, or to purchase new properties with the potential to generate higher rents, increase the overall value of the estate, and improve the portfolio to produce a higher yield on the Council's investment. We note that to achieve this all types of property are under consideration for purchase by the Council, dependent on funding and, should all planned sales be successful, note that a pot of £850,000 would be available for re-investment.

Whilst the Committee is positive about the Strategy overall we would like you to factor the following concerns into your consideration of the Strategy:

In respect of the target performance measure for the five year strategy, to increase the gross yield from 5% to 6%, which equates to a 20% improvement in performance. We accept you consider this a challenging target; however feel there should be a clearer indication of the performance targets the Investment Estate Board (IEB) will set along the way to measure progress. This would also enable Cabinet and Scrutiny to evaluate the success of the Strategy over the next 5 years. We note that the Council's advisors will benchmark performance against other cities, and that some authorities are investing outside of their area, though currently this is not the approach Cardiff is taking.

Of some concern to the Committee is the absence of a Cabinet Member on the Investment Estate Board. The Committee feels that the link between the political vision of the ruling administration and decisions taken by the IEB need to be strengthened. Whilst we accept that the Leader has a strong link to the Board, we consider there is scope for greater Cabinet Member involvement in the Board and greater Board involvement with Cabinet. Our concern is that standing arrangements might result in a lack of democratic oversight that is based in the political vision of the administration. We note your comment that the Council is taking the opportunity to use commercial advice to its benefit, but as you indicated there is still freedom to refine governance arrangements, we would urge you to revisit.

The Committee wishes to take up your offer to report annually on the performance of the IEB, however some Members are uncomfortable with the next report to Committee on the work of the IEB being the Board's first Annual report in December 2017. We note you are currently developing the Terms of Reference of the Board and will commence quarterly reporting in line with rent dates starting on 24 December 2016. As such, we would like an interim update before December 2017 and will recommend that our successors consider 6 monthly progress in July 2017.

Additionally, Members feel it would be useful for the Committee to examine in some depth the process and outcome of applying the Strategy to a red rated City Centre asset, to assess whether the process is working. Therefore we will also suggest our successors consider case studies that illustrate the reality of managing the estate with the intention of increasing yields.

Finally, the Committee wishes to re-iterate its previous comment when considering the Corporate Asset Management Plan in July. We would like more weight given to Member engagement and involvement in property deals that are planned within their wards.

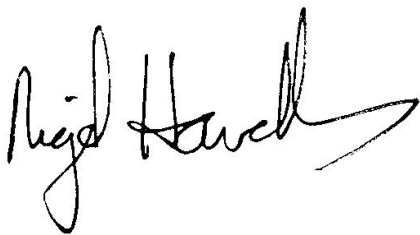
To re-cap, the Committee:

- feels there should be a clearer indication of the performance targets the IEB will set along the way to measure progress, to enable Cabinet and Scrutiny to evaluate the success of the Strategy over the next 5 years;

- recommends strengthening democratic oversight by appointing a Cabinet Member to the IEB;
- will recommend its successors consider an interim update of progress in July 2017, and suggest examining in depth the process and outcome of applying the Strategy to a red City Centre asset, to assess whether the process is working;
- would like more weight given to Member engagement and involvement in property deals that are planned within their wards.

Once again, on behalf of the Committee, I wish to thank yourself, the Strategic Estates Manager, Helen Jones, and the Council's commercial property advisor, Chris Sutton of Jones Lang La Salle for your support in bringing this matter forward for Scrutiny. The Committee looks forward to maintaining good communication with yourself and the Board to provide assurance and strengthen governance arrangements going forward.

Yours sincerely,



COUNCILLOR NIGEL HOWELLS
CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

cc

Members of the Policy Review & Performance Scrutiny Committee;
Neil Hanratty, Director of Economic Development
Helen Jones, Corporate Property and Estates Manager
Chris Sutton, Jones Lang La Salle
Clare DeGuara, Cabinet Support Manager.
Naomi Evans, PA to Leader