

CABINET MEETING: 17 DECEMBER 2020

ANNUAL PROPERTY PLAN

**INVESTMENT & DEVELOPMENT
(COUNCILLOR RUSSELL GOODWAY)**

AGENDA ITEM:12

Reason for this Report

1. To seek Cabinet approval of the 2020/21 Annual Property Plan (APP).

Background

2. Since 2015, the Council has adopted a five year Corporate Property Strategy (2015-2020) which set out a framework within which all Council property related issues needed to be addressed. The Strategy, entitled "*Fewer but Better Buildings*", established a series of targets over the five year period designed to deliver the core objectives of modernisation, rationalisation and collaboration.
3. The Annual Property Plan (APP) is the implementation plan for the Strategy published annually (see Appendix 1). The targets set out within the APP make a contribution towards the five year targets set out within the Corporate Property Strategy and includes objectives for the operational estate. The APP provides an update on priority projects, reinforces overarching principles for the strategy of the estate, outlines what is planned for the year ahead, and provides explicit targets relating to the reduction in the size and cost of the estate.
4. A new Corporate Property Strategy was originally scheduled to be published in the spring of 2020 to provide an updated framework to run from 2020 to 2025. However, the COVID-19 pandemic has led to a pause in the publication date to allow time to reflect on the property related impacts given the substantial changes to working patterns. At present, it is anticipated that the new Strategy will be published in the autumn of 2021 at the earliest. It is important that preparatory work is now undertaken to understand the impact of COVID-19 on the Council's business and property requirements. This will include the provision of suitable support for staff to ensure effective continuity of service. The new strategy will likely need to include an increased degree of flexibility to allow the Council to adapt to changing requirements, COVID-19 measures and business needs over the coming months and years. The new property strategy will establish revised long-term targets to measure asset management performance aligned with the Council's budget and

corporate objectives. It will also be broadened in scope to include commentary on Major Projects, the Investment Estate, Housing and SOP.

5. As a consequence, this Annual Property Plan (2020/21) will be a standalone document designed outside of a wider Corporate Strategy and will only report on forecast and completed property transactions for the financial year 2020/21. This approach may continue into 201/22 depending on the on-going implications of the pandemic.
6. The Council's estate is large and diverse and represents the second largest call on the Council's budget after staff costs. The ongoing changes to the way in which the Council delivers its services is inextricably linked to its operational property estate and therefore offers an on-going opportunity for review.

Issues

7. By the 1st April 2020, the significant impact of COVID 19 on the property estate and Council working practices was already being felt. As the first national lockdown commenced on 23rd March 2020, a rapid adjustment to home working was successfully implemented and continues to effect many facets of how the Council runs and operates its estate. In terms of the APP, the business disruption in March inevitably saw some transactions which would have ordinarily been completed at the end of last financial year roll over into the 2020/21 financial year and this is reflected in this Annual Property Programme. This year's Plan also reflects certain transactions, including leases, acquisitions and disposals which have been subject to renegotiation due to the market disruption. County Estates continues to work closely with the Council's tenant and occupier base to mitigate the ongoing financial impact. The results of the the 2019/20 APP are shown in Appendix 1.
8. Land and Property management is a key strategic activity which aligns service strategies with the property estate. It ensures optimisation of property assets in a way which best supports the organisation's business goals and objectives. The requirement for effective land and property management is based on treating property as a corporate resource which forms the basis of the associated Corporate Landlord programme. The importance of a corporate approach relates to the significant costs of operating the estate and the limited resources available to address the on-going pressures to maintain and modernise the estate.
9. The Corporate Landlord model presented to Cabinet in 2018 aligns with the objectives of the Corporate Property Strategy and Annual Property Plan. It also covers the wider issues relating to the management of the estate including maintenance and statutory compliance. The targets set out in the APP relate to strategic management of the estate and include:
 - reducing the maintenance backlog,
 - reducing running costs,
 - creating a more efficient estate,
 - generating capital receipts.

Property Disposals

10. The Council's disposals programme for 2020/21 is as follows:

APP PROPERTY DISPOSALS		
Property	Status	Action
Former Llanrumney Play Centre & Land	Ongoing	Sell
Former Michaelston College	Ongoing	Appropriation to Housing
St Mellons Housing site	Ongoing	Sell
Former Rumney High land	Ongoing	Appropriation to Housing
Harvey Street Car Park (part)	Ongoing	Appropriation to Housing
Trowbridge Children's Home	Ongoing	Sell
Western Control Centre (Bunker)	Ongoing	Sell

**Table 1. Annual Property Plan 2020/21
Operational property disposals programme**

APP LAND DISPOSALS		
Property	Status	Action
Land at 200 Fairwater Rd	COMPLETE	SOLD
Land at the Beacon Centre	COMPLETE	SOLD (exchange pending)
Land at Brindley Road (Cardiff Marina)	Ongoing	Sell
Land adjacent to Brachdy Lane	Ongoing	Sell
Land at Caer Wenault / Pantmawr Rd	Ongoing	Sell
Land at Beaumaris Road	Ongoing	Appropriation to Housing
Land at Flaxland Avenue	Ongoing	Discussing potential acquisition with local community group

**Table 2. Annual Property Plan 2020/21
Land disposals programme**

11. The Council's 2019/20 Budget Statement included a requirement to generate over £40 million of additional capital receipts over the period 2018/19 – 2022/23 to support delivery of the Band B schools programme and the agreed capital programme. To date the Council has secured £7.9m towards this goal, with a further £4m pipelined to be completed during this financial year. The overall programme is set out in the APP attached at Appendix 1.
12. A review has been undertaken of all of the Council's land holdings to identify potential opportunities for disposal. All of the opportunities identified to date require further detailed consideration and due diligence, including discussions with local Members. It is proposed to work up detailed proposals for each opportunity and on a case by case basis bring forward a report for Cabinet to consider.

Non-Operational Estate

13. The 2018/19 APP, committed County Estates to undertake a review of the non-operational estate to gain a better understanding of the assets within the portfolio and their performance. A detailed review of each asset has now been completed and a number of key themes have emerged:

- Backlog maintenance with no allocated budget to address
- Health & Safety compliance concerns
- Reactive estate management
- Inconsistent tenure arrangements in particular within retail parades
- Status, strength and presence of tenants

The new Corporate Property Strategy will set out a strategy for this part of the Council's estate addressing the key management issues for future. Each asset will be categorised as to Retain, Remodel or Release.

14. The Non-Operational programme for 2020/21 is as follows:

APP NON OPERATIONAL DISPOSALS		
<i>Property</i>	<i>Status</i>	<i>Action</i>
Former Trelai Bowls Pavilion	COMPLETED	Leased to Ely & Caerau Sports Trust
Land at Railway Street	COMPLETED	Leased to Green Squirrel
Former Fairwater Social Club	Ongoing	Appropriate to Housing
Paddlesteamer	Ongoing	Sale of residual freehold interest
Lydstep Changing Rooms	COMPLETED	Leased to Cardiff Draconians FC
Canal Park land	Ongoing	Lease to CAVC
Stacey Road caretakers (Flying Start)	Ongoing	Lease to Little Angels
Selected Tennis Courts (Hailey Park and Victoria Park)	Ongoing	Lease to Tennis Wales
Llandaff CIW Primary caretakers house	Ongoing	Lease

**Table 3. Annual Property Plan 2020/21
Non-Operational programme**

Retail Parades

15. The 2019/20 APP set out the findings of the review of the Council's retail parades. There are 21 distributed across the city of varying type, quality, condition and with different tenancy arrangements in place. Most of the parades were identified as in a poor condition with a significant maintenance backlog and as being management intensive. It was agreed that given the limited capital to re-invest in these assets they represent a liability to the Council and have an ongoing overall detrimental effect on the quality and value of the Council's estate.

16. As such, in 2019/20 it was proposed to dispose of 14 of the parades which are in the most need of investment (listed in table 2 below) over the next two years. Two Parades were disposed in 2019/20. In advance of bringing each parade to the market it is proposed to undertake a detailed review of the asset to regularise any lease matters, and where appropriate to terminate leases and/or renew or extend leases to ensure each parade is in the best commercial position to maximise the capital receipt.

APP RETAIL PARADE DISPOSALS		
Property	Status	Action
56a & 56b shops at Plasmawr Road	COMPLETED	Sold
Llangranog Road - Premium payment 1	COMPLETED	Payment received
Llangranog Road - Premium payment 2	COMPLETED	Payment received
Fishguard Road	Ongoing	Sell
Bishopston Road	COMPLETED	Sold
Llangranog Road	Ongoing	Sell

**Table 4. Annual Property Plan 2020/21
Retail Parades programme**

Investment Estate

17. As described in the 2019/20 APP, the Council manages a portfolio of investment properties let on commercial terms to third parties for the purpose of maximising rental income and improving the yield of the estate. The 2020/21 APP details a list of operational assets that have been reviewed and have been declared surplus to the Council's requirement. Some of these assets are not suitable for freehold disposal due to their location but do represent good opportunities to be leased on commercial terms, mitigating running cost and maintenance liabilities and offering regeneration opportunities. Subject to due process it is proposed that the following assets be appropriated from the operational estate into the investment estate:

SURPLUS OPERATIONAL LEASED FOR INVESTMENT		
Property	Status	Action
Former Radnor Road Caretakers House	COMPLETED	Let to Green Giraffe Day Nursery Ltd
Former Ninian Park Caretakers House	Ongoing	Lease
Former Museum Avenue PC's	Ongoing	Lease
Former Waterloo Gardens Rangers Hut	Ongoing	Lease

**Table 5. Annual Property Plan
Investment programme 2020/21**

2020/21 End of Year Targets

18. Each APP contains end of year targets relating to the reduction of gross internal area, reduction of maintenance backlog, reduction of running cost and anticipated capital receipts. If the programme above completes as planned the following targets are expected to be achieved for 2020/21.

	Gross Internal Area reduction Sqft	Maintenance Backlog reduction	Total Running Cost reduction	Total Capital Receipt
APP target 2020/21	100,000	£500,000	£400,000	£10,000,000

Table 5. Annual Property Plan 2020/21 Targets

Governance

19. The implementation of the APP will be overseen by the Asset Management Group (AMG) made up of senior managers from across all of the Council's service areas, with all opportunities presented for consideration to the Cabinet Member for Investment & Development. This will enable a strategic and corporate oversight and proper consideration of contribution towards the political Administration's objectives. The Terms of Reference have been reviewed with regards to membership and frequency of board meetings.
20. In addition to the internal Council review of the estate, opportunities to work closer with public sector partners will also be considered via quarterly meetings of relevant officers. Throughout 2020/21 the Council has frequently reviewed property partnership opportunities with public sector partners as part of our joint COVID response. Any initiatives generated by this activity will also be presented to the Cabinet Member for Investment & Development to consider.

Local Member consultation

21. Member engagement will take place throughout the implementation of the plan.

Reasons for Recommendations

22. To seek Cabinet approval of the 2020/21 Annual Property Plan.

Financial Implications

23. The Annual Property Plan sets out an Action Plan and steps to be taken over the next year.
24. Robust long term asset management planning is a key element of the Council's Capital Strategy. This report highlights some of the property initiatives proposed as part of the Council's Annual Property Plan. These initiatives potentially have a range of differing financial implications which

will need to be considered in conjunction with Finance, as the strategy is implemented. These could include, risk of timing and value of disposal, options appraisal for sites, liabilities on transfer of properties, valuation for accounting purposes and ongoing holding costs of property. Of particular importance is VAT in disposals (freehold or lease) and in acquisitions. Early consideration of VAT should be undertaken as part of the disposal and acquisition process to ensure no adverse VAT and associated taxation implications. The financial implications of such initiatives will be reported as part of the governance arrangements for disposals.

25. Properties identified for disposal should be done so promptly in order to minimise revenue costs associated with holding onto surplus property. Where properties such as the retail parades are identified for disposal, the loss of rental income on the budget will need to be considered as part of the budget process.
26. The level of capital receipts is a key assumption in the affordability of the capital programme. The Capital Programme, approved by Council in February 2018 and in subsequent years, set a target for non-earmarked General Fund capital receipts of £41 million, after making a deduction for eligible revenue costs of disposal. Up to 31 March 2020, a total of £6.887 million has been generated against this target. The forecast for receipts when setting the 2020/21 resources was £7 million, from the disposal of land as well as a number of retail parades. The receipts received to date total £370,000. Regular monitoring of this target will need to be reported as part of updates to Cabinet and Asset Management Board, to avoid the risk of additional borrowing or review of schemes proposed as part of the Capital Programme. Earmarking of future receipts towards new expenditure, whilst the capital receipt target remains unmet represents a risk to achievement of the receipts target.
27. The Annual Property Plan includes land to be appropriated for Housing Revenue Account Housing purposes during 2020/21 as a disposal target for 2020/21. Consideration will need to be given to determining a valuation for key sites at an early stage so these can be undertaken in 2020/21 to ensure no adverse financial implications, for example in respect to the School Organisation Plan financial model

Legal Implications

28. The Council has an obligation to ensure value for money in its management, acquisition and disposal of land and property as public assets. The Council's Acquisition and Disposal of Property Procedure Rules in Part 4 of the Council's Constitution sets out the matters to be considered with reference to Property transactions.
29. The decision about these recommendations has to be made in the context of the Council's public sector equality duties. The Council also has to satisfy its public sector duties under the Equality Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties, Councils must in making decisions have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. The

Protected characteristics are: age, gender reassignment, sex, race – including ethnic or national origin, colour or nationality, disability, pregnancy and maternity, marriage and civil partnership, sexual orientation, religion or belief – including lack of belief. If the recommendations in the report are accepted and when any alternative options are considered, the Council will have to consider further the equalities implication and an Equality Impact Assessment may need to be completed.

30. The Well-Being of Future Generations (Wales) Act 2015 ('the Act') places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales - a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible.

In discharging its duties under the Act, the Council has set and published well being objectives designed to maximise its contribution to achieving the national well being goals. The well being objectives are set out in Cardiff's Corporate Plan 2018-21: <http://cmsprd.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Corporate-Plan/Documents/Corporate%20Plan%202018-21.pdf> When exercising its functions, the Council is required to take all reasonable steps to meet its well being objectives. This means that the decision makers should consider how the proposed decision will contribute towards meeting the well being objectives and must be satisfied that all reasonable steps have been taken to meet those objectives.

The well being duty also requires the Council to act in accordance with a 'sustainable development principle'. This principle requires the Council to act in a way which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:

- Look to the long term
- Focus on prevention by understanding the root causes of problems
- Deliver an integrated approach to achieving the 7 national well-being goals
- Work in collaboration with others to find shared sustainable solutions
- Involve people from all sections of the community in the decisions which affect them

The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below: <http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

31. The Council has to be mindful of the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards when making any policy decisions and consider the impact upon the Welsh language, the report and Equality Impact Assessment deals with all these obligations. The Council has to consider the Well-being of Future Generations (Wales) Act

2015 and how this strategy may improve the social, economic, environmental and cultural well-being of Wales.

HR Implications

32. There are no HR implications for this report.

Property Implications

33. All property considerations are described in the report.

RECOMMENDATION

Cabinet is recommended to:

1. Approve the 2020/21 Annual Property Plan attached at Appendix 1.
2. Note the property transaction programme set out in Tables 1 to 5 of this report.
3. Delegate authority to the Director of Economic Development in consultation with the Cabinet Member for Investment and Development to develop detailed proposals relating to opportunities for the disposal of Council land to be presented back to Cabinet for authority to proceed.

SENIOR RESPONSIBLE OFFICER	Neil Hanratty
	Director of Economic Development 11 December 2020

The following appendix is attached:

Appendix 1: Annual Property Plan 2020/21