

CARDIFF COUNCIL CYNGOR CAERDYDD

CABINET MEETING: 16th DECEMBER 2021

CORPORATE PROPERTY STRATEGY 2021-26

INVESTMENT & DEVELOPMENT (COUNCILLOR RUSSELL GOODWAY)

AGENDA ITEM: 11

Appendix 3 & 4 which forms part of this report contain exempt information of the kind described 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 of the Corporate Property Strategy 2021-26 and Annual Property Plan 2021-22

Background

2. The Council owns a large property estate with a current use value of circa £1.6 billion. This comprises over 330 operational properties, such as schools, venues, depots, offices and sports facilities, which are used to deliver or support the delivery of Council services. The Council also owns over 450 leased properties which either generate income and sustain economic regeneration around the city or facilitate community use and activities. These properties are let by the Council and produce revenue income of circa £4m per annum.
3. 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 Council'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.
4. After staffing costs, expenditure on the Council's estate represents the next largest call on the Council's revenue budget. Currently, the running cost of the operational estate stands at around £38m per annum comprising of revenue spend relating to Repair and Maintenance; Non

Domestic Rates; Rent (on leased properties); Utility outgoings (water, gas, electricity); Cleaning; etc. The Council's estate is also subject to a significant capital maintenance programme with £45m of Priority 1 works programmed over the next five years.

5. In 2014 Cardiff Council introduced the Corporate Property Strategy 2015-20 – “Fewer but Better Buildings”. This established new governance and processes at a corporate level to manage the estate. Property targets were introduced to measure success over the course of the 5 year strategy, the core theme being rationalisation. The Annual Property Plan was established as a means of tracking progress towards the targets and to provide a framework for regular reporting to Cabinet. The table below shows the results over the 5 years.

STRATEGY TARGET SUMMARY 2015-2020

	Building GIA (sqft) reduction	Maintenance Backlog reduction	Total Running Cost reduction	Capital Receipts received
Strategy target	1,172,351	£20,000,000	£5,000,000	£20,000,000
Strategy target %	15%	n/a	14%	n/a
Achieved	1,196,774	£20,516,519	£5,709,856	£35,845,939
Achieved %	15%	n/a	15%	n/a

Table 1. Corporate Property Strategy 2015- 2020

6. In 2019, with the Corporate Property Strategy 2015-20 approaching the end of its period, preparations began on a successor strategy to cover financial years 2020-25. It was agreed via discussions with Cabinet that a new strategy would also include the leased estate and would seek to build on the successes of the previous strategy. New performance targets would be created to align with the new objectives of the strategy.
7. In March 2020, the COVID 19 pandemic began and the resulting priority for the Council to manage the crisis had a significant initial impact on normal Council processes and governance. This also effected the Council's use of property to support the delivery of services. The strategy was postponed by a year to allow time for the Council to understand its future requirements taking account of the impacts of the COVID 19 pandemic. A one-off Annual Property Plan (APP) for 2020-21 was reported to Cabinet recording property transaction performance through 2019/20 year and obtaining approval to progress with new transactions for financial year 2020-21.

Issues

8. Budgetary and Financial Impact. Corporate Property and Corporate Finance are intrinsically linked. Robust property asset management plans, understanding the condition, risks and value for money in respect of property assets needs to be consistent with the budget framework and its Capital Strategy in order to deliver the objectives of the authority. The approved budget for 2021-22 included making significant savings amounting to £10.2 million. Over the past 10 years the level of savings identified as part of the budget setting process has amounted to circa £210 million and these have become more challenging to achieve year on year. The Budget Strategy report published in July 2021 identified a budget gap of £21 million in respect of 2022-23 and an anticipated shortfall over the Medium-Term Financial Plan of £81 million.
9. Changing demand for services. Cardiff's population is expected to grow faster than any other local authority in Wales in forthcoming years. In particular, there will be significant growth in the city's older and younger population, with commensurate demands for services. The city's population aged 85 or over is expected to grow by 80% by 2033 according to Welsh Government data, whilst the population aged 15 and under is expected to rise by 28% over this period. These changes, as well as changing preferences of service users, are likely to have a considerable impact on the demand for local services.
10. Schools estate. The city's schools located throughout our city's communities accounts for almost two thirds of the Council's property estate. Given the size and location of the city's schools estate, and the need to improve and invest in school buildings to support improvement in educational outcomes, they offer significant opportunities for modernisation.

Regeneration and Local Development Plan. In March 2021 the Council agreed a timetable with Welsh Government to prepare a Replacement LDP to cover the period 2021 to 2036. It is important that the Corporate Property Strategy and related development feed into the preparation of the Replacement LDP as it evolves in more detail through the preparation process over the next few years. This is particularly relevant to the candidate site process.

Cardiff Council led major projects remain significant drivers for regeneration. Ongoing examples include the new Arena project in Cardiff Bay, Cardiff Bay redevelopment, The International Sports Village and the regeneration of James Street.

11. Community and Neighbourhood Regeneration. The Development and Regeneration team in the People and Communities Directorate works

closely with County Estates to improve housing, local environments and community facilities across the city through small and large scale housing and regeneration schemes within existing communities all over Cardiff. Partnership work with other teams in the Council such as social services, transport and planning and external bodies such as CAVUHB, RSLs and the 3rd sector run through the wide portfolio of property related programmes and projects.

Policy Framework

12. The Corporate Property Strategy 2021-26 further develops the framework for clear property decision making and ensures all decisions relating to property are taken for the strategic benefit of the Council and in support of the Corporate Plan, the Council's budget and the requirements of service areas. The strategy provides clarity on how the Council intends to monitor and measure the performance of its estate and how it will benchmark performance against key areas of focus.
13. The strategy has key 5 objectives:
 - Objective 1: Corporate approach
Build on the achievements of the 2015-20 strategy, continue to develop the governance, business processes and reporting arrangements that ensure property is managed as a corporate asset.
 - Objective 2: Strategic direction
Establish the strategic direction of each property portfolio (Operational, Non-operational and Investment) and work with services areas through established governance to ensure accommodation alignment with service requirements.
 - Objective 3: Modernisation the retained estate
Embed the theme of modernisation across the estate, focussing on the improvement of quality and suitability of the Council's property. Establish Hybrid Working and One Planet Cardiff as central to the asset management decision making process
 - Objective 4: Property Performance Targets
Measure performance against targets through the Annual Property Plan.
 - Objective 5: Partnership Working
Continue to develop strong strategic working arrangements with public sector partners to achieve common and mutually beneficial objectives in support of the Council's well-being priorities.

14. Central to the strategy will be the ongoing work to rationalise and modernise the Council's estate to reduce the cost of occupying, managing and maintaining buildings and to improve operational efficiency. It will also seek to improve co-operation around property assets with other public sector service providers to ensure the Council and its partners deliver services in an optimum way. With the majority of the Council's property costs relating to schools it is also important to continue the integrated approach to the Schools Organisational Programme.
15. County Estates will work with services to understand short, medium and long term property requirements. Service needs are constantly changing and new approaches developed through the COVID pandemic may lead to permanent adoption of new ways of service delivery. Opportunities to improve delivery through new/adapted accommodation solutions will be explored through service property plans, allowing for early planning and anticipation of service accommodation needs.
16. The Council leases selected assets from third parties and occupies these properties to support or deliver services. In the 2015-20 strategy the Council stated the intention to relinquish leased properties where the opportunity existed and in line with service delivery, in favour of better utilising existing freehold properties. This was driven by the need to reduce the additional costs associated with rental payments and dilapidation and ensure full and long-term management control. Many leased properties were relinquished over the last six years including large, expensive sites such as Global Link Offices and the Friary Centre.
17. The 2021-26 strategy will continue this approach with the Council undertaking proactive appraisal of cost, carbon, dilapidations, valuation and service requirement to make decisions on the future of leased premises. Existing lease terms remain under review to understand any forthcoming options such as break clauses which may present opportunities to relinquish leased property – subject to sourcing acceptable alternative service accommodation and resolution of lease conditions in line with affordability.

Modernisation

18. The theme of the CPS 2021-26 is Modernisation (Leaner and Greener). Over the course of previous strategy the estate was subject to a rationalisation programme and with the implementation of Corporate Landlord, the Council is investing in its retained estate to ensure it is compliant, fit for purpose, supports the delivery of services and is energy efficient. The Strategy also further embeds the Corporate Landlord function as the principle means of managing the estate on a day-to-day

basis and explains how this will continue to develop through the period of the strategy.

19. During the previous strategy, the Council invested in an estate wide property condition programme to understand the works required across the operational estate. This programme was undertaken by independent advisors to a clear brief which returned condition survey information in a consistent format for the purpose of planning maintenance programmes, estimating budgets and reporting.
20. The Council has used this information to create planned maintenance programmes for both the Corporate and Education estates. New resource and governance has been established to manage this process, which links closely with colleagues in Finance. The result is a planned programme for the current financial year and an indicative plan for the subsequent years, which is then managed according to priority and cost.
21. The programme is aligned to and includes Health and Safety works as recommended through cyclical statutory inspections. Health and Safety compliance within corporate and education properties is managed through the RAMIS system with identified remedial works fed back through the corporate landlord process to be incorporated into annual programmes. In the case of Education this also includes ALN adaptations.
22. Over the five year 2021-26 timescale of the strategy, the identified capital maintenance requirement across the operational estate is currently being finalised and is estimated to contain £45m worth of Priority 1 works. Broadly this is split 65% Education Estate and 35% Corporate estate. County Estates undertake an annual review of Priority 1 works together with Finance and key service stakeholders to ensure affordability and delivery of the programme.
23. Cardiff Council is developing a Hybrid Working Programme and also progressing the carbon reduction initiatives of One Planet Cardiff. The maintenance programme, hybrid working assessments and carbon reduction proposals will be aligned to ensure best value for money is achieved within our retained estate when implementing simultaneous building works and refurbishments. It is important to note that when considering all three of these priorities together, the Council will review the findings and through the asset management process, determine recommendations on whether that asset still represents a good point of investment to support or deliver council services.
24. The alignment with One Planet Cardiff will change the way we plan and procure certain works. Work is ongoing to understand if large scale planned replacements across multiple properties, for example heating systems, may offer better value for money in the long-term.

25. Improving the overall quality of the estate will be achieved through a combination of:

- Planned Preventative Maintenance programmes
- Improvement or refurbishment schemes such as Refit or strategic investments
- One Planet / Hybrid building improvement programmes
- Case by case refurbishments where identified
- Rationalising properties surplus to Council requirements

Each of these points will be subject to affordability assessment and reviewed through the established asset management governance process.

26. In delivering the modernisation programme, and addressing the aforementioned priorities, the Council will need to progress a business case approach to considering the required improvements against the backdrop of continuing budget pressures. This business case approach will inform if the optimum way forward is to invest in existing property or to relinquish and re-invest in a new property. Core to this approach will be the consideration of carbon related impacts as well as financial consequences.

Condition surveys

27. The Council has a large estate which consists of a variety of properties in regard to age, size use and condition. As part of the property management process, condition surveys are continually undertaken to inform the asset renewal programme. In the Education estate, surveys are routinely undertaken on High Schools and Primary Schools to inform planned preventative maintenance and investment requirements. In the Corporate Estate condition surveys have been undertaken on County Hall, City Hall and St David's Hall in order to determine current condition and maintenance requirements going forward.

28. The report attached at Confidential Appendix 3 identifies the works that are required for County Hall and City Hall. The Council has also undertaken a detailed survey of St David's Hall following a number of issues arising with the fabric of the building. This report is attached at Confidential Appendix 4. All three buildings, due primarily to their age, have significant maintenance backlogs and require investment.

One Planet Cardiff

29. Cardiff Council declared a climate emergency in 2020 and shortly after published the draft One Planet Cardiff (OPC) Strategy which sets out the Council's strategic response. The principal objective of the strategy is to become a Carbon Neutral City by 2030. The strategy determines 7 key streams with the most relevant to the property estate being the "Built Environment". This comprises existing and planned buildings and infrastructure. It states the need to constantly improve the energy efficiency and resilience of our new and existing buildings and communities, and capture the skills and jobs required to achieve this for the benefit of the local economy.
30. The strategic utilisation and management of Council land and property assets will be required to achieve each of the 7 One Planet Streams. The Built Environment stream encapsulates the need for a new approach to the management and decision making relating to all Council property assets.
31. The OPC objective to achieve a net zero carbon estate by 2030 carries significant implications for the Council's property estate ranging from the impact on strategic decision making, resources, budgets and procurement through to the day to day use and management of land and property.
32. The first challenge is to accurately understand the carbon footprint of the Built Environment. New benchmarking projects are in the process of being implemented that will provide the accuracy needed to measure carbon in the Built Environment over time. Using current data the estimated carbon contribution of the Built Environment (excluding Housing) in the One Planet Cardiff baseline year 2019/20 is:

2019/20		
BUILT ENVIRONMENT (exc Housing)		
	Consumption kWh	Carbon tCO2e
TOTAL	87,706,424	18,478

Table 2: Overview carbon output in the Built Environment (excl Housing) in 2019/20 and 2020/21)

Achieving Net Zero

33. At a strategic level, achieving the net zero carbon target in the Built Environment can be broadly divided into two categories:
- **Carbon Reduction – circa 60%.** Reducing carbon output in new and existing buildings through physical and behavioural change

- **Carbon Offsetting – circa 40%.** To be achieved through the planting of trees and other natural means

Carbon Reduction – Grid decarbonisation:

34. Decarbonisation of the National Grid will provide passive decarbonisation benefits for Cardiff Council, as the GHG intensity of electricity supplied progressively decreases with an increase in renewable and low carbon generation sources.

Carbon Reduction – Rationalisation:

35. To date carbon reduction in the Built Environment has primarily been achieved through property rationalisation – the disposal of property or termination of leases. When a property is sold or lease relinquished, the operational carbon contribution of that asset is removed from the Council's carbon footprint. The scale and rate of property relinquishment has slowed since the completion of the previous property strategy (which included the office rationalisation programme and Leisure Centre ADM), The Council now manages a leaner estate, better aligned to service requirements.

Carbon Reduction - Modernisation

36. Moving forward the Council's approach to carbon reduction across the property estate will be largely achieved through modernisation, i.e. the repair, refurbishment and upgrade of retained properties. This is a broad area of activity that will be enhanced in regards to scale, scope and budget. It will include upscaling 'invest to save' projects such as Refit to take place on a larger scale.
37. Programmed and reactive repair & replacement of property components is under review to align with OPC. The Council will establish minimum standards of energy performance in building components embedded within the procurement process, to ensure components below the agreed standard can no longer be purchased. The Council will pursue estate wide replacement of more energy efficient components providing economies of scale. Examples include new heating systems (i.e boilers), lighting, window replacements etc. These programmed replacements will be undertaken on a larger scale than previous programmes, targeting end of life or below average performing assets.
38. The capital costs for more energy efficient components and larger energy reduction schemes will likely be above existing budget allocation and case-by-case business cases may be required as schemes are developed. It is likely additional resource will be required to plan these schemes and new

equipment may require additional training and maintenance support to manage.

Carbon Reduction – Offsetting

39. 40% of the carbon reduction target is anticipated to be achieved through offsetting measures. This will primarily be achieved through the planting of trees and other natural means. The Coed Caerdydd project sets out how the Council's open spaces can be used to provide space for new tree growth that will offset Cardiff's city carbon contribution across the city.

Building use

40. The way we use our buildings will also be a significant contributor to the reduction target. Managing the use of properties more efficiently is estimated to be just as significant as the physical building adaptations in reducing carbon, with some research showing up to 11% reduction through behaviour change. This has already been observed in the carbon output reductions over the COVID period as the Council vacated the vast majority of operational premises for long periods. Education, training and management support of new practices to staff, managers and building users will be required to ensure efficient use of council property over the short, medium and long term.

Strategic Property Decisions

41. The carbon footprint of a property will be considered as an ongoing liability the Council will need to consider if it can "afford" much in the same way revenue budgets are assessed. When considering a property acquisition, the carbon impact will be analysed and the cost of mitigating it factored into the acquisition business case. Similarly, when reviewing a property for retention, the carbon footprint over time will be assessed together with the cost of mitigating weighed against service need and affordability. Together with the value of the site, maintenance backlog and ongoing running cost budgets, this may result in properties becoming surplus to Council requirements in the future following assessment. Currently targets are set against the reduction of operational carbon in the Built Environment, however reducing embedded carbon is also a priority. Future Annual Property Plans will provide further detail on the approach to reducing embedded carbon in the Built Environment.

Hybrid Working

42. Prior to the COVID 19 pandemic, Cardiff Council had commenced initial research into how technology and new approaches to working could be used to improve the efficient use of space, technology to enhance service delivery. Examples seen in other Welsh and UK local authorities,

particularly in office environments, had shown how investments in reconfigured work spaces and supporting technology could be used to successfully deliver these objectives.

43. However the onset of the global pandemic in March 2020 transformed the way we worked, the Council's workforce shifted to home working almost overnight. Since then, over 80% of the Council's core office workforce have undertaken their work from home. Over 2000 laptops were issued and the use of communication software (such as Microsoft Teams) allowed the switch to virtual meetings and training to support continued Council business.
44. There have been benefits from remote working, both to the organisation and individual employees which include increased flexibility, improved work-life balance, greater productivity, reduced travel and building usage. However, as we emerge from the pandemic the Council will progress a flexible approach to workspaces to support service delivery. Homeworking will continue to feature in this new flexible approach, but will be complimented by re-designed workspaces which provide an activity based focus for collaboration, learning and mentoring as well as building team relationships, all of which have been impacted by the isolation of the pandemic.
45. As a consequence, the Council seeks to build on the benefits of the workforce change experienced over the last 18 months, whilst also establishing a flexible and balanced approach to ensure the needs of the service and the individual are met. This approach is called Hybrid Working and a programme to transfer to this model is underway.

Hybrid Working Project Objectives

46. The programme will implement the transition to a new Hybrid way of working which aims to support service delivery, embrace diversity and personal choice. Through delivery of the Hybrid Working model, the Council's corporate property estate will be reviewed and modernised to support the new working pattern with a focus on shaping the work environment to meet service requirements and the activities they carry out, enabling effective service delivery.
47. As the Council is a diverse organisation providing a wide range of services, it is recognised that workplace designs should provide staff with what is required to work in the best way possible for their activity types. An internal Hybrid Working project team has been established to lead this fundamental change to working arrangements and to manage the project governance in alignment with corporate objectives, specifically:

- **One Planet Council** - Post-pandemic the Council will maximise environmental impact as an anchor employer and use the power of its organisational policies, practice, and partnerships to lead a greener recovery and renewal.
- **Flexibility** – the ability to act quickly and flexibly, with a focus on outcomes over process or presenteeism, and radical change enacted swiftly and effectively across organisational and service boundaries.
- **Digital by Default** - The Council will adopt a ‘Digital by Default’ approach, providing access to an enhanced range of services online where all those who can use digital routes to service choose to do so.
- **Community/Locality-focussed** - In the future, services need to respond to the different challenges faced by communities across the city, bringing public service assets and resources together to create ‘teams around the community’.
- **Child, family, citizen at the centre** – In rebuilding local public services, the needs, and strengths of those receiving the service will be – at all times – front and centre.

The programme aims to reflect these key strategies and ensure that the requirements for the Council’s Core Office accommodation aligns with future working patterns.

Core Office Review

48. Cardiff Council has three core office buildings - County Hall, City Hall and Willcox House. This will be reduced to two as Willcox House is in the process of being relinquished.

	County Hall	City Hall	Willcox House
Tenure	Freehold	Freehold	Leased
Status	Review	Review	Relinquish / Vacate
Floor area (sqft)	277,000	150,000	60,000
Annual Running Cost	£2.4m	£1m	£1.6m
Carbon (tCO2e) 2019/20	1061	629	213
Capital Value	£25m	n/a	n/a

Table 3. Core Office Summary

49. Although the footprint of the core office estate is being reduced by circa 20% through the relinquishment of Willcox House the COVID-19 pandemic and the consequent changes to working patterns suggest a further review will be required. Over recent years the Council has explored the idea of developing a new headquarters building to further consolidate the core office estate. However, in light of new working patterns and the growing importance of carbon priorities a full review of the Council requirements

and the best solution for meeting those requirements needs to be undertaken through a business case process.

50. In the meantime the Council will continue to utilise both City Hall and County Hall. The recent surveys carried out in 2021 outline some constraints on the use of these buildings until remedial works are undertaken. In the case of County Hall this is predominantly due to an antiquated heat and ventilation system. With City Hall the main issue relates to the heating plant and the associated heat distribution system. The capacity and use of these buildings will be significantly reduced until remedial works are undertaken. Nonetheless, for the time being, the available floorspace capacity across the two buildings will be more than sufficient to accommodate staff operating the new Hybrid Working model.
51. The Council is currently in the process of implementing a Hybrid working model. Office based work is particularly applicable to Hybrid working as a large percentage of the workforce that previously worked exclusively in core offices will be able to work in other locations. Work is now ongoing to define the exact floor space required to deliver core office Hybrid Working, but models to date suggest it will require circa 150,000 sqft or less.

One Planet Cardiff Considerations

52. OPC and the carbon reduction target is established as one of the key considerations in the strategic asset management process. To achieve net zero carbon by 2030 the Council is required to make significant strategic decisions and investments in regards to reduction and offsetting measures across the estate. As above the Council is committed to assessing the carbon “cost” of each of its assets and understanding the medium to long term impact of retaining that property.
53. County Hall is the largest carbon contributing core office property by a considerable margin. To meet the carbon reduction targets, large-scale capital investment into the building in the form of windows, insulation, energy supply, lighting etc would be required to achieve the required reduction. The capital commitment needed to undertake this could only be reasonably justified in a property that the Council was committed to retain over the long-term.

	County Hall	City Hall	Willcox House
Carbon (tCO₂e) 2019/20	1061	629	213

Table 4. Core Office Carbon output 2019/20

Leased Estate

54. The management of the leased estate forms part of the Corporate Property Strategy 2021-26, whereas the previous strategy only dealt with the operational estate. The leased estate comprises the Investment portfolio leased on commercial terms, and the non-operational estate leased for community purposes.
55. The Non-Operational Estate management strategy enhances existing governance arrangements and commits to new tenant management processes. In particular, there is a renewed focus on the health and safety understanding of community leased property and the budgets that support investigations and remediations. County Estates will work to undertake planned property inspections and liaise with tenants, Finance and legal on matters of lease compliance and resulting remediating action.
56. The investment estate currently produces an income of just over £4m per annum. Over the past five year period, the organic rental growth seen within the portfolio averaged c.3.4% per year. In the absence of either materially expanding or reducing the capital base of the investment estate, it is considered reasonable and conservative to target a continuation of organic rental growth of 3% per annum for the portfolio. This would imply an overall income increase of c.15% or £600k over 5 years, with the rental growth achieved by a continuation of the existing commercial approach to lease events (i.e. re-gearing and reletting units at higher commercial market rents especially in the industrial sector) and in-built RPI increases on certain.

Capital Receipts

57. The delivery of capital receipts remains a critical objective to support the Council's capital programme. Although the large-scale rationalisation of operational property was largely completed through the previous strategy, Hybrid working, One Planet Cardiff and changing service needs as the Council emerges / recovers / adapts from COVID may result in land and property becoming surplus to requirements over the next five years. Subject to approval and assessment, surplus assets may present opportunities to dispose and realise capital receipts.
58. The receipts programme will also be heavily informed by the ongoing review of the Non-Operational portfolio, in particular from the disposal of retail parades, which are subject to an ongoing rationalisation programme approved through the previous property strategy.
59. The Council will also continue to review all land to identify sites that are surplus to service requirements and appropriate for disposal. Any such

opportunities identified require full consideration and due diligence, including discussions with local Members. Any specific parcels of land that may be suitable for disposal will be considered as part of a business case to release investment to improve facilities. In all circumstances detailed proposals will be brought back to Cabinet for full consideration before proceeding.

- 60. The Council's Housing Revenue Account (HRA) programme will remain a significant contributor to the capital receipts target as proposed / planned / phased land appropriations result in capital receipts into the general fund.
- 61. The Council will seek to generate a total of £25m general fund capital receipts over the next five financial years.

£40 million capital receipts programme 2018-23

- 62. A revised Capital Receipts targets was agreed by Cabinet in the APP 2018/19. The target covers five financial years 2018/19 through to 2022/23. The objective is to deliver £40m General Fund capital receipts within the time period. All general fund receipts contribute to this target with the current position shown in Table 5 below.
- 63. £25m is projected to be delivered by the end of 2022/23. The remaining £15m has been identified within the schools estate however the sites identified to generate these receipts are subject to separate processes and decision making. From a property perspective the sites align with the valuation expectations to meet the £15m target, however these transactions are currently not forecast to be delivered within the 2022/23 timescale. The table below provides an update on the programme.

	Year 1	Year 2	Year 3	Year 4 (Projected)	Year 5 (Projected)
	2018/19	2019/20	2020/21	2021/22	2022/23
<i>In year total</i>	£5.9m	£1.4m	£1.2m	£9.7m	£6.8m
Rolling TOTAL	£5.9m	£7.3m	£8.5m	£18.2m	£25

Table 5. Status of the £40m Capital Receipt programme

Corporate Property Strategy 2021-26 - TARGETS

- 64. The Corporate Property Strategy 2021-26 establishes targets to be achieved over the five year period designed to track progress towards the key aims and objectives of the strategy. The targets relate to:

- One Planet Cardiff
- Modernisation
- Efficiency
- Capital Receipts
- Rental Income

Table 6 shows the strategy targets.

	Carbon Reduction	Programmed Maintenance	Running Cost reduction	Capital Receipts	Rental income increase
Strategy target end 2021/26	5,543 tCO2e	£45m	£6m	£25m	£600k
Strategy target end 2021/26 %	30%	100% of Priority 1	15%	n/a	n/a

Table 6. Corporate Property Strategy 2021-26 targets

Annual Property Plan

65. The Annual Property Plan for 2021-22 is attached as Appendix 2 to this report. It shows the property transactions completing in 2020-21 and the proposed transactions for 2021-22.
66. 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 were anticipated to complete in 2020-21 roll over into this year's 2021/22 APP.
67. APP 2021-22 is the first annual report of the new 2021-26 strategy detailing the property programme of the previous and current financial years. The targets have been updated to align with the Modernisation priorities and objectives of the CPS 2021-26.

APP Targets - 2021/22

68. The following targets are expected to be achieved by the end of the financial year.

	Condition Backlog reduction	Running Cost reduction	Capital Receipts	Built Environment Carbon reduction
APP target 2020/21	£2,000,000	£300,000	£15,000,000	1%

Table 7. Annual Property Plan 2021/22 Targets

Governance

69. The implementation of the Corporate Property Strategy 2021-26 and APP 2021-22 will be overseen by Cabinet and reported to the Economy and Culture Scrutiny Committee. A cross service strategic asset group made up of officers from all of the Council's service areas will oversee day to day delivery of the strategy. This will enable a strategic and corporate oversight and proper consideration and contribution towards the political Administration's objectives. The Terms of Reference have been reviewed with regards to membership and frequency of meetings.
70. In addition to the internal Council review of the estate, opportunities to work closer across the public sector will also be considered via quarterly meetings of relevant partners. Throughout 2021/22 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 and subsequently Cabinet to consider.

Local Member consultation

71. Member engagement will take place throughout the implementation of the Corporate Property Strategy and the Annual Property Plan.

Reasons for Recommendations

72. To enable Cabinet to agree the principles by which the Council's property portfolio will be managed and operated through the Corporate Property Strategy 2021-26 and to seek approval of the 2021/22 Annual Property Plan.

Financial Implications

73. The report highlights various strategies and approaches in respect to property and sets targets for achievements. This includes the Council's One Planet strategy, hybrid working and modernisation and Core Office Review. The report does not currently identify the costs of such commitments and it is essential that the commitments in the strategy are aligned to the budget framework, with resources allocated to addressing issues raised, where deemed affordable and a priority to do so. The

successful delivery of outcomes will need to be underpinned by an effective and robust governance and assurance framework that delivers clear measurable results through informed decision making.

74. In respect of the one planet and decarbonisation targets identified in the strategy – whilst it is a clear target, the financial implications are unknown but there are likely to be cost implications for this, e.g. any retrofitting, to ensure this does not remain an uncosted overall Council commitment, the detailed projects and proposals will need to be developed in future iterations of the Annual Property Plan and be supported by robust business cases which clearly identify the funding source and provide assurance that they remain affordable within the Council's overall financial envelope.
75. The report highlights the backlog of maintenance on Council buildings and identified in particular the backlog of maintenance on the specific sites St David's Hall and Core Office Buildings. Options appraisal in respect to the specific buildings will need to consider sustainability and affordability of the Council addressing the backlog. The robust options appraisal will be required to be subject to a five-stage business case assessment. The report identifies that addressing such issues is a priority and whilst a solution is sought, these remain unaddressed liabilities for the Council. The cost of developing the business cases is not set out in the report and a funding source will need to be identified prior to commencement.
76. The report sets out the challenges in sustaining the estate despite the additional capital funds being allocated in the budget for schools and non-schools property asset renewal. Given limited financial resources available, the sustainability of the estate is currently reliant on seeking capital investment when there is no choice to undertake works, rather than addressing revenue and capital maintenance issues as they arise. Any financial pressures would need to be considered along with other commitments as part of the development of the budget framework.
77. The report highlights risk re: Health and Safety, it should be ensured that any significant risks are aligned and reported as part of the Council's risk management and mitigation process. The report also highlights the need to consider additional revenue investments—to support the land management and non-operational property identified. Any solution to addressing identified risks will need to be managed and allocated from within existing revenue budgets prior to commencement.
78. The strategy indicates an additional income target of £600,000 has been set, based on previous trends in respect to additional income. Any future target will need to be tested and continually reviewed to ensure it is at an achievable level and be from lease reviews, re-purposing and regearing of existing property, rather than acquisition of new commercial investment solely for yield. Any such target needs to also consider the capacity and skills required to ensure that lease reviews are undertaken when due. Consideration needs to be given to the achievability of these targets within the financial resource budget currently allocated.

79. Where properties are the subject of lease agreements, monitoring and enforcement of tenants obligations to repair should be taken to ensure liabilities don't fall back on the Council. In the event of liabilities being accepted (after a robust options appraisal) then these will need to be managed within existing resources and prioritised with other commitments. Where any new Community leases are proposed to be approved, these should be after a robust business case including consideration of sustainability of any entity to manage and operate that asset.
80. Where the Council has entered into lease agreements for its use of properties or land, regular review of the use of such properties needs to be undertaken as outlined in the strategy to ensure decisions can be made in advance of any options periods identified in the lease. Any such options appraisal will need to include any dilapidations payable as well as the benefits in terms of savings in expenditure where the property can be relinquished. Where there are such leased properties, provisions should be created for future lease costs such as dilapidations as part of the continued use of such sites.
81. The report provides an update on the £40m general fund target of non-earmarked Capital receipts. Whilst £15 million of the target has been identified in respect to school sites, future iterations of the plan are proposed to provide further detail when approved as part of the specific sites and potential valuations. The report indicates that the balance of the £25m target in respect to non-earmarked receipts will be receivable by 31 March 2023. Where such targets are set these need to be demonstrated as achievable within a short timescale, as continued inclusion of a capital receipts target in the budget framework represents a risk and will need to be reviewed as part of the budget framework for 2022/23.
82. Lost income from sites to be disposed of towards £40m target that are not part of the investment property estate will have an impact on the estates property budget and will need to be managed within the existing budget or as part of the increased income target. Where such sites are to be disposed there needs to be a clear rationale for disposal as part of the Council's Governance Process including consideration of yield lost and extent of any liability inherent in the asset which forms the rationale for disposal.
83. Where proposals are reliant on the generation of Earmarked receipts assumptions, there is a risk to budget framework and unplanned increases to level of borrowing if such receipts not realised in terms of value and timing. Where additional sites are acquired to meet strategic aims, the holding costs and VAT implications should be a key financial consideration of the business case development at an early stage.

Legal Implications

84. The Council has an obligation to ensure value for money in its management, acquisition, and disposal of land of land and property as public assets. The report sets out proposals in relation to core office strategy and the future of St David Hall. It is noted that this report delegates

authority to prepare outline business cases in relation to those matters. It is expected that further reports will be required in relation to any final proposals upon which detailed legal advice can be provided as required.

Equalities & Welsh Language

85. In considering this matter the decision maker must have regard to the Council's 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. Protected characteristics are: (a) Age, (b) Gender reassignment, (c) Sex, (d) Race – including ethnic or national origin, colour or nationality, (e) Disability, (f) Pregnancy and maternity, (g) Marriage and civil partnership, (h) Sexual orientation, (i) Religion or belief – including lack of belief.
86. When taking strategic decisions, the Council also has a statutory duty to have due regard to the need to reduce inequalities of outcome resulting from socio-economic disadvantage ('the Socio-Economic Duty' imposed under section 1 of the Equality Act 2010). In considering this, the Council must take into account the statutory guidance issued by the Welsh Ministers ([WG42004 A More Equal Wales The Socio-economic Duty Equality Act 2010 \(gov.wales\)](#)) and must be able to demonstrate how it has discharged its duty.
87. An Equality Impact Assessment aims to identify the equality implications of the proposed decision, including inequalities arising from socio-economic disadvantage, and due regard should be given to the outcomes of a Equality Impact Assessment.
88. The decision maker should be mindful of the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards.

The Well-being of Future Generations (Wales) Act 2015

89. 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 wellbeing objectives are set out in Cardiff's Corporate Plan 2020 -23.
90. When exercising its functions, the Council is required to take all reasonable steps to meet its wellbeing objectives. This means that the decision makers should consider how the proposed decision will contribute towards meeting the wellbeing objectives and must be satisfied that all reasonable steps have been taken to meet those objectives.

91. The wellbeing 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
92. 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 on line using the link below: <http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

Policy and Budget Framework

93. The decision maker must be satisfied that the proposal is within the Policy and Budget Framework, if it is not then the matter must be referred to Council.

HR Implications

94. There are no immediate HR implications arising from this report and its recommendations. Should further work be undertaken which impacts on the work locations of employees there will be a need to assess the employee implications and for full consultation to be undertaken with the trade unions.

Property Implications

95. All property considerations are described in the report.

RECOMMENDATION

Cabinet is recommended to:

1. Approve the Corporate Property Strategy 2021-26 and the associated performance targets to be achieved over the 5 years period.
2. Approve the Annual Property Plan 2021/22 attached as Appendix 2.
3. Delegate authority to the Director of Economic Development, in consultation with the Cabinet Member for Investment and Development, the Section 151 and the Legal Officer to:
 - i) Develop an Outline Business Case to consider the Council's future core office requirement taking account of the recent surveys attached at Confidential Appendix 3.
 - ii) Develop an Outline Business Case to consider the future investment requirements for St David's Hall taking account of the recent survey attached at Confidential Appendix 4.

SENIOR RESPONSIBLE OFFICER	Neil Hanratty Director of Economic Development

The following appendices are attached:

Appendix 1: Corporate Property Strategy 2021-26

Appendix 2: Annual Property Plan 2021/22

Confidential Appendix 3: Core Office Condition Survey

Confidential Appendix 4: St David's Hall Condition Survey