

CORPORATE PROPERTY STRATEGY 2021 - 2026

Leaner and Greener

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1. Executive Summary

This Corporate Property Strategy 2021-26 establishes the strategic direction, performance targets, key processes and governance relating to the management of the Council's land and property estate over the next five years.

The strategy focusses on the modernisation of a leaner and greener operational estate, whilst also setting out the themes and principles of managing the Council's leased portfolios. There are three clear paths to the management of the property estate via the Operational, Non-Operational and Investment portfolios.

The Council uses property to deliver or support the delivery of statutory and community services. It is vitally important the Council's property is configured to align with changing service needs and the wider strategic and financial objectives of the Council. The strategy details the approach to new challenges that will change the way we use and invest in our estate going forward.

The introduction of the One Planet Cardiff strategy identifies a clear role for the Council's estate in decarbonising the city by 2030. The Council will progress new physical adaptations and behavioral approaches across the estate to meet this target.

The Hybrid working programme will change the way we work, how we use our properties and lead to a reassessment of operational property requirements. The Council will work to align service need to workforce change, ensuring investment in reconfigured working environments.

Ongoing maintenance and modernisation planning to improve the condition of the estate will be aligned with One Planet Cardiff and Hybrid programmes to inform the retain or relinquish decision making process over the course of the strategy, ensuring best value for money investments. The Council will also work to understand the impact these programmes will have on the core office requirement.

New management principles are established within the leased estate (non-operational and investment property) to ensure enhanced management of tenants, timely collection of rent and review of tenant obligations.

The strategy establishes new property targets to measure estate performance over the 2021-26 period. Progress towards these targets will be reported to Cabinet via the Annual Property Plan (APP).

2. Overview and Purpose of the Strategy

Cardiff Council owns and manages over 750 properties with a current use value of over £1.6 billion. The operational estate is made up of 336 sites containing a total of 628 individual buildings held to deliver or support delivery of Council services. The leased estate contains 450 properties, 200 leased on commercial terms at market rent for the purposes of revenue generation, employment and economic development. A further 250 properties are leased on community terms to local community tenants such as sports teams, scouts groups and other charitable organisations.

In addition to buildings, Cardiff Council also owns a considerable land portfolio primarily consisting of parks, housing land and land held for development. In total, Cardiff Council either owns or manages approximately 1/3 of the surface area of the Cardiff administrative boundary.

The cost of managing, operating and maintaining the Council's operational estate is in excess of £38m per annum, the second largest call on the Council's revenue budget after staff costs. The overall quality of the Council's estate shows a significant number of properties require repair works, with a value of £45m Priority 1 works currently programmed over the next 5 years.

	Used/managed for Council Services		Let to Third Party	
	Operational Property	Operational Land	Non-Operational Estate	Investment Estate
Type	Service Occupied Property Assets	Service Occupied and Managed Land		
Example	Offices, Schools, Depots, Venues, Libraries, etc.	Parks, Highways, Estates & Misc	Retail Parades Community Leases	Multi-Let properties, Ground Leases
Size	Circa 336 Sites Over 628 buildings	Over 10,000 acres	250 properties Approx 50/50 split Retail & Community Leases	200 properties
Current Strategy	Corporate Property Strategy 2015/20 Annual Property Plan	Progressing Land review to feed £40m Disposal target	n/a	Investment Estate Strategy 2016/21
Next Steps	New Corporate Property Strategy 2021/26	Complete land review and work with services to understand future requirement	Incorporate into Corporate Property Strategy 2021/26 Implement proactive estate management	Continue to improve performance of portfolio (Rental income)

Table 1: Council property estate summary

The purpose of this successor strategy 2021-26 is to build on the progress made over the last 6 years and provide a framework for supporting and stimulating the Council's organisational objectives and sets performance targets to support the Council's budget and One Planet Cardiff.

The strategy 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.

2.1. The Corporate Significance of the Property Strategy: Finance, Service Delivery and Regeneration

Finance

- **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. Property is the second largest call on the Council's budget after staff with the management and transaction process carrying significant capital and revenue implications. Recent updates in codes of practice by CIPFA and regulatory changes have highlighted the need for robust reporting and option appraisal, particularly in respect to property assets that are held solely for the generation of yield. As guidance emerges the APP needs to be consistent with such guidance and, will on an ongoing basis, need to highlight performance and risks particularly in respect to Investment Property. Table 2 describes the income and expenditure of capital and revenue in regards to the property estate.

- **Capital programme and Receipts**

The Council has a significant capital programme to support capital schemes such as new school builds, new housing, addressing building condition as well as local and significant major projects to secure regeneration and service reform in the City.

Capital receipts are an important means of increasing the affordability of the Capital Programme. The generation of capital receipts is also consistent with the need to accelerate a reduction in the Council's asset base where this can support savings requirements. The 2018/19 Capital Programme set a £40 million target for non earmarked receipts (net of fees) for the period 2018/19 - 2022/23, with a subsequent increase of £1 million to this target in 2019/20, after making a deduction for eligible revenue costs of disposal. The Council's approach to the delivery of the capital receipts target and those deemed to be earmarked where approved by Cabinet as ring-fenced for specific projects or strategies, or ring-fenced by legislation are updated in the Annual Property Plan.

It is recognised that realisation and timing of receipts will vary and it is important to be clear that receipts included as receivable in the budget have associated clear timescales for delivery, are site specific and are confidently achievable in order to reduce risk to the Council's borrowing requirement and future revenue budget.

It is also important to ensure that where business cases are approved which require the acquisition of land or investment in property on the basis that these will dispose an income stream, that ongoing performance monitoring and status is reviewed. The APP will help to support this aim, allowing effective planning for projects to ensure financial resilience risk can be monitored and understood.

- **Revenue Income / expenditure**

Council owned property as well as working with other property owners, public and private, to develop objectives is a key driver to meeting many objectives set out in Capita Ambition. These activities can also either support savings and efficiencies or have potentially adverse implications on capital or revenue budgets if not managed by a clear and agile strategy. Examples of the types of cost and income are set out in the table below.

Type	Income	Expenditure
Capital	<ul style="list-style-type: none"> • Capital receipts from the disposal of land and property • Premium lease payments 	<ul style="list-style-type: none"> • Land and property Acquisition • Council financed build projects • Large scale repair / refurbishment
Revenue	<ul style="list-style-type: none"> • Rent from leases and licences • Fee income to support estates revenue budget 	<ul style="list-style-type: none"> • Rent lease costs • Repairs and maintenance including statutory observations • Running costs (rates, utilities, insurance, cleaning and security etc) • Dilapidations obligations • Costs of managing the estate • Provision for bad debt and voids

Table 2: Overview of capital and revenue income and expenditure

Service Delivery

- **Changing service requirements**

The Council is constantly reviewing the best way to deliver services. Property is intrinsically linked to the delivery of these services whether through statutory provisions such as education or social services, or community uses such as libraries, hubs, venues and sports facilities. This is also the case for Council operational facilities that support front line operational services such as depots and waste services. The way these services

are delivered evolves over time and this influences the types of properties and spaces required to best support the delivery of services.

- **Flexible and versatile estate**

As services evolve the Council's property estate must be dynamic and able to change over time to meet the need of those services. Recently all Council services were required to adapt rapidly to a greater or lesser extent in response to COVID, where some essential services were delivered in new or different ways. This has resulted in an acceleration of new service delivery methods, many of which will now be incorporated into business as usual. This may lead to changes in the Council's operational property requirements over the short, medium and long term and the estate will adapt to meet these requirements.

- **Hybrid Working**

Cardiff Council is in the process of implementing a Hybrid working model (see Section 4). This new way of working changes the way the workforce will use all our buildings and in particular our core offices. As less people will work in the office each day, it is anticipated the need for office space will be less than what is currently available. This will be complimented by locality working – where council employees will be able to work in bookable spaces in the city, outside of core office buildings. Hybrid working will impact all operational property and the way we manage our working environments.

Regeneration

The Council's property estate plays an important role in the ongoing regeneration of the city. Examples include:

- **The Council's housing objectives**
- **Land and property for the purposes of employment**
- **Opportunities to regenerate communities**
- **Ensure service delivery**

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.

The Development and Regeneration team in the People and Communities Directorate works 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 programmes and projects.

The work of the team is closely aligned with the Council's strategic property and estate management, examples of this include:

- Working jointly on property and land negotiations for public sector partnership schemes such as new Health and Wellbeing Hubs with the regeneration team and CAVUHB, the Police and GPs
- Advising on housing property acquisitions for social care, housing and regeneration projects
- Feeding into the design and feasibility work on a range of refurbishment and new build sites including multi agency community hubs, housing sites and regeneration proposals
- Supporting development and regenerations schemes where there are lease, licence and operational arrangements with council teams and outside parties

Some recent strategic development projects achieved through effective corporate working between Communities and Economic Development, Estates & Housing include:

- The redevelopment of the former public amenity site at Waungron Road to deliver new Council housing and a transport Hub and also a wide range of public space improvements and new green infrastructure
- The redevelopment of the former Michaelston College site to deliver a new ‘wellbeing Village’ for Ely, focused on older person housing and a range of public buildings and spaces
- The purchase and redevelopment of the former Gasworks site in Grangetown for circa 500 new homes, public realm and community buildings

2.2. Corporate Property 2021-26: Objectives & Targets

The Corporate Property Strategy 2021-26 introduces 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 in each of the Operational, Non-operational and Investment portfolios and work with services areas through established governance to ensure accommodation alignment with service requirements.
- **Objective 3: Modernisation of the retained estate**
Embed the theme of modernisation across the estate, focusing 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 strategy 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.

The Corporate Property Strategy 2021-26 introduces 5 Headline Targets:

- 1. Carbon reduction**

Supporting delivery of the One Planet Cardiff strategy and contributing to net zero by 2030. Reduce the carbon footprint in the Built Environment by **30%**.

- 2. Modernisation:** Completion of all Priority 1 works

Achieve **100%** of Priority 1 programmed asset works in each financial year based on an annually reviewed rolling programme.

- 3. Efficiency:** Running cost reduction

Records the degree to which the Council is using its assets in a more cost effective way and reducing revenue costs. Reduce the running cost by **£6m**.

- 4. Capital Receipts**

Commitment to ensure support to the Council’s capital programme via disposal of land and property. Achieve **£25m** general fund capital receipts.

- 5. Investment Estate:** Rental income

Target to increase the rental income from leased property to **£600k**.

Corporate Property Strategy 2021-26 Targets summary

	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 3. Corporate Property Strategy 2021-26 targets. See Appendix 1 for Corporate Property Strategy 2015-20 review.

Annual Property Plan

Performance against the targets will be reported on an annual basis via the Annual Property Plan (APP), which will be presented to Cabinet each year of the strategy. The APP reports target achievements for the previous financial year and the new targets for the current financial year.

3. One Planet Cardiff: Carbon Reduction in the Built Environment

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. OPC proposes a wide range of ambitious actions that will begin to form the basis of a delivery plan to achieve carbon neutrality. It aims to do this in a way that supports new green economies and greater social wellbeing in the city.

The strategy determines 7 key streams all of which are to some extent dependent on land and property to achieve;

- **Energy** – How it is used, sourced, distributed and generated
- **Green Infrastructure and Biodiversity** – Protect and enhance
- **Transport** – Review of required infrastructure, minimize impact of vehicle emissions and air quality
- **Food** - Support smarter more localized and more socially equitable food systems
- **Water** – How we source, manage and use water
- **Waste** – Reduce waste production, increased recycling and implement new procurement decisions

And most relevant to land and property;

- **Built Environment** – This comprises existing and planned buildings and infrastructure. We 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.

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.

Carbon footprint in the Built Environment 2019/20

The One Planet Cardiff benchmark year is 2019/20. In terms of scope, the Built Environment includes all corporate property such as offices, depots and HUBs, together with all school buildings and all Council managed Housing. This is a broader portfolio than the Council has previously reported carbon performance and the first challenge is to accurately understand the carbon footprint of the Built Environment. This establishes a starting point from which to track progress. New benchmarking projects are in the process of being implemented that will provide the accuracy needed to confidently measure carbon in the Built Environment over time. This strategy details carbon reduction reporting in the Corporate and Education portfolios. Carbon reduction relating to Housing is subject to separate reporting governance.

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

Table 4: Overview Carbon output in the Built Environment (excl Housing) in 2019/20.

New governance is in the process of being established that will ensure a corporate approach to management and consistency in reporting and terminology relating to Carbon reduction in the Built Environment.

Achieving net zero

The objective of OPC is to reduce the net carbon contribution of the Built Environment to zero by 2030. At a strategic level, achieving the net zero carbon target can be broadly divided into two categories shown in table 5.

Type	Percentage of Net Zero	Achieved via	Lead
Carbon Reduction	60%	Reducing carbon output in new and existing buildings through physical and behavioural change	County Estates, Education, Housing
Carbon Offsetting	40%	New projects to offset city carbon production such as tree planting and biodiversity	Strategic Energy, Parks services

Table 5: Split between carbon reduction and carbon offsetting to achieve carbon net zero

CARBON REDUCTION MEASURES:

Grid decarbonisation

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.

Modelling is ongoing but current estimates suggest 5-10% of the 60% reduction target could be met through grid decarbonisation.

Rationalisation

Carbon reduction in the Built Environment over the last several years has primarily been achieved through property rationalisation – the disposal of property or termination of leases. When a property is sold or lease relinquished, the carbon contribution of that asset is removed from the Council’s Built Environment carbon footprint. However, the scale and rate of property relinquishment has slowed since the completion of the previous property strategy 2015-2020 as the Council now manages a leaner estate, better aligned to service requirements.

Relinquishment will remain an important theme and the adoption of a hybrid working model may ultimately result in the need for a smaller corporate estate footprint - which could in turn lead to additional properties becoming surplus.

Presently however, the degree of carbon reduction anticipated to be achieved through rationalisation will need to be complimented by additional reduction measures. It is

estimated approximately 5-10% of the carbon reduction figure will be achieved through rationalisation.

Modernisation

Modernisation describes the repair and refurbishment of the retained operational estate. This is a broad area in the process of being re-aligned in regards to focus, scope and budget to meet the carbon reduction objectives.

Carbon reduction investment projects

Historically the Council has implemented energy efficiency schemes on a relatively modest scale. For example in the Refit programmes, properties the Council has determined to retain were assessed for physical building works resulting in energy performance enhancing / carbon reducing measures which were then implemented on an invest to save basis. Payback has typically in the region of 10 years.

- Refit tranche 1 completed in 2017/18 on a portfolio of **8** properties.
- Refit tranche 2 is currently being implemented, a further **11** schools are receiving energy efficiency adaptations with a total project budget of £1.4m.

To date the scale of carbon reduction investment projects has been on a relatively small scale, with the remainder of the Built Environment, approximately 315 operational properties of varying size, use and condition yet to undergo full assessment.

It is intended for schemes such as Refit to be scaled up significantly and applied across the extent of the retained corporate, education and housing portfolios subject to appropriate supporting budget, resource and governance. Time will be required to develop feasibility of these schemes and a programme of works to be implemented on a larger scale.

Onsite energy generation opportunities have been implemented in selected Council properties, primarily within the education estate through solar panel roofs. The opportunities for onsite energy production at assets the Council intends to retain over the long term will be explored by way of a structured and consistent review process. This will be an extensive and specialised programme requiring specific focus and resource to fully explore and implement.

The Refit programme to date has delivered an average carbon reduction of 10% per annum in the buildings retrofitted. With lessons learned and improvements in site management the tranche 2 works have identified the potential for circa 20-30% carbon reduction across the 11 properties in scope. Future refit schemes will allow opportunities to consider a more holistic modernisation and energy improvement programme by defining carbon reduction targets and allowing framework providers to introduce asset renewal works such as new windows, roofs etc alongside traditional energy conservation measures. This holistic approach will lead to energy performance improvements delivering additional carbon reduction within the estate. An estate wide refit programme will need to be further complimented with additional reduction initiatives as below.

Asset Renewal repair & replacement

Programmed and reactive repair & replacement of property components is under review to align with OPC. The Council will seek to 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.

Opportunities to pursue estate wide replacement of more energy efficient components may take advantage of economies of scale. Examples include new heating systems, lighting, window replacements etc. These programmed replacements are proposed to be undertaken on a larger scale than previous programmes, subject to budget allowance, targeting poorly performing assets due for replacement over the next few years.

Behavioural Change

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, in some research between 15-20%. This has already been observed in the carbon output reductions over the COVID period as the Council vacated the vast majority of the premises for long periods. Education, training, and management support for 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.

CARBON OFFSETTING MEASURES

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 will be central to this initiative. The project outlines an ambition to increase the tree canopy across the city by 19% – 25% by 2030. Progress against this offsetting strategy will be reported through Coed Caerdydd governance and the Annual Property Plan.

Strategic property decisions

Going forward the carbon footprint of a property will be considered as an ongoing liability the Council will assess in terms of affordability much in the same way revenue budgets are assessed. When considering a property purchase, the carbon impact will be analysed and the cost of mitigating 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 service need, 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. This aligns closely with the Council's Hybrid working proposals. Assessing Carbon reduction requirements together with the cost of Hybrid adaption and known maintenance requirement will be considered together as part of the decision making process.

Built Environment Summary

The OPC strategy has resulted in a step change in the way the Council manages and makes decisions throughout the asset lifecycle. Carbon output and energy efficiency is now a key consideration in the decision process for the acquisition or disposal of property. The reduction

and offsetting measures required to meet the strategy targets will require new revenue, capital and staff resource considerations as the various reduction initiatives evolve over the next 5 years.

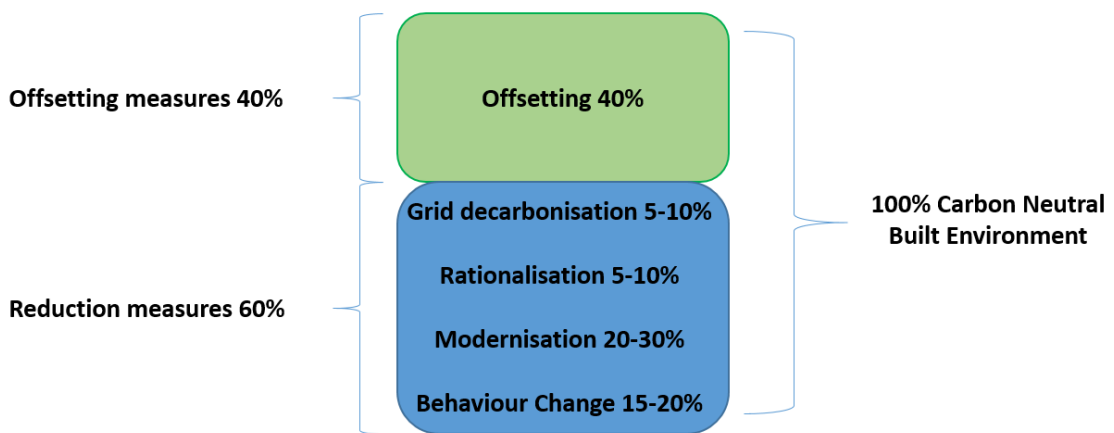


Figure 1: Proposed areas of carbon reduction focus

The detail of the implementation plan to reach net zero in the Built Environment is still being investigated and will be reported annually through the APP with specific case by case initiatives presented to Cabinet Report.

The carbon reduction approach in figure 1 reflects the current potential of identified areas of focus. New benchmarking tools are in the process of being implemented that will ensure the Council has a more accurate understanding of the carbon reduction potential in the key areas and will facilitate accurate reporting via the APP as processes and systems are refined. Currently targets are set against the reduction of operational carbon in the Built Environment, however reducing embedded carbon is also a priority.

Target: One Planet Cardiff – Carbon reduction

Reduce the carbon footprint in the Built Environment by 30% by the end of the strategy

4. Hybrid Working: A new approach to working

Hybrid working and Future Working Patterns

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 and technology to enhance service delivery. Examples seen in other Welsh and UK local authorities, particularly in office environments, had shown how investments in reconfigured workspaces and supporting technology could be used to successfully deliver these objectives.

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 now 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.

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.

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:

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. Some of the key areas in scope of this change include:

- Reviewing ways of working across all areas of the organisation and working with services to manage the transition to a new Hybrid way of working.
- Developing, communicating, and embedding key principles for Hybrid Working across the organisation.
- Reviewing accommodation requirements and working with services to shape the environment to reflect activity-based working.

- Ensuring that hybrid working accommodation requirements are central to the business case brought forward to inform the future requirement of the Core Office accommodation.
- Reviewing touch down locations across the city taking into consideration Council premises, partnering public sector organisations (such as NHS and Police etc) and private sector opportunities and future developments with the potential for touch down spaces.
- Ensuring the environment within any building identified as part of the Locality Working Strategy is shaped to reflect the new Hybrid Working model and activity-based working.
- Identifying opportunities to merge the building management systems with the management and monitoring of utilisation and occupancy to ensure effective use of space.
- Reviewing technology requirements in line with future office environment needs to determine improvements in relation to desk top technology, connectivity, telephony, and audio-visual solutions.

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.

5. Operational Estate

5.1. Operational Estate overview

Operational property includes land and buildings the Council uses to either deliver or support the delivery of Council services. Examples include Offices, Libraries, Venues, Sports facilities, Depots and Schools. Operational property consists primarily of freehold assets – property the Council owns. However, a small number are leased from third parties.

Operational property

- Number of sites – 336
- Number of buildings: 628

By service area

- **Education:** (incl. schools, ALN, Youth Services, Resources etc) : 144 Sites, 343 Buildings
- **Education Caretakers Houses:** 45 Sites, 45 Buildings
- **People & Communities:** 29 Sites, 31 Buildings
- **Planning, Transport & Environment:** 26 Sites, 73 Buildings
- **Social Services:** 23 Sites, 24 Buildings
- **Economic Development:** 69 Sites, 112 Buildings

By Internal Area

- **Total GIA:** 596,198 sq. m
- **Education:** 418,551 sq. m
- **Education Caretakers Houses:** 5,033 sq. m
- **People & Communities:** 22,105 sq. m
- **Planning, Transport & Environment:** 10,768 sq. m
- **Social Services:** 7,392 sq. m
- **Economic Development:** 132,349 sq. m

Service Area	Operational Land in Acres	Non-Operational Land in Acres	Combined Land in Acres
Economic Development	4.8	362.5	367.3
Education	746.5	21.9	768.4
Environmental Protection	0.3	0.1	0.4
Strategic Estates	0.0	1,608.9	1,608.9
Highways	897.0	7.9	904.9
Housing	1,892.8	93.8	1,986.6
Headquarter Buildings	30.8	0.0	30.8
Parks & Leisure	4,249.5	294.3	4,543.7
Miscellaneous (mainly CBTC)	118.7	0.0	118.7
Social Services	8.2	2.4	10.6
Transportation	29.6	57.8	87.4
Total Area	7,978.2	2,449.7	10,427.8

Table 6: The Council's land estate divided by service area

5.2. Aims and Objectives

The operational estate has been significantly rationalised over the last six years to realign with service requirements. This is an ongoing process particularly at the time of writing as Hybrid Working, One Planet Cardiff and evolving new ways of delivering services continue to change the way the Council can best use its property assets. Consequently it is a priority of this strategy to continue the governance of reviewing the council's operational estates need against the changing service requirements and to develop opportunities to meet changing need.

5.3. Corporate Landlord

In July 2018 the Council commenced implementation of a Corporate Landlord Programme, which is endorsed by both CIPFA and RICS. The function of the Corporate Landlord is to ensure that service departments are adequately accommodated, to ensure that the future asset requirements for each service are identified and procured and to maintain and manage property assets in accordance with corporate strategic priorities and standards and relevant property and Health and Safety Legislation. The model vests ownership and responsibility for all of the Council's non-domestic land and property assets centrally within County Estates based in the Economic Development Directorate. The model has established new management processes around decision-making, governance and financial management.

An implementation programme has delivered projects integral to progression of the corporate landlord model. The programme established Five workstreams to address key areas including Health and Safety, Property Maintenance Backlog, Estate Running costs, Data & Technology, governance and the appointment of new management resource.

Corporate Landlord Programme work streams:

- People and Change
- Enterprise and Architecture Technology
- Asset Management Principles
- Building Maintenance Framework
- Health and Safety compliance

Current Position

Since July 2018 significant progress has been made in each workstream with all projects now complete and incorporated into 'Business as Usual' County Estates has been successfully established in line with the agreed model and supports effective management, maintenance and improvement of the corporate estate, including schools.

People and Change

The focus of this work stream was on ensuring sufficient and appropriate staffing resource existed within the model to deliver each function. This included the restructure of existing teams and as a consequence, new posts and appointments, this included:

- i) Corporate Landlord Programme
Recruitment – Assistant Director to lead the County Estates Division and manage the Corporate Landlord programme.

- ii) Schools Organisational Planning
Recruitment – Programme Director to lead and manage the SOP process.
- iii) Health and Safety
Establishment of a Health and Safety function to drive through improvements in statutory compliance across the council’s estate, providing a technical role in relation to high-risk issues such as Fire Risk Assessment, Asbestos Surveys, Legionella Risk Assessment and Mechanical and Electrical inspections. A specific team was established to provide focused support to schools to secure improvement in health and safety standards across all Cardiff schools.
- iv) Building Maintenance
A restructure and rebranding of Facilities Management to a Property Services Division established ‘Pre-delivery and ‘Delivery Teams as well as the Statutory Obligations Team.

In addition, Establishment of a Customer Liaison Team to manage the One Front Door first point of contact for School and Corporate building managers was completed as well as recruitment of an Asset Manager for management of the Council’s Estate, including schools.
- v) Capital Delivery
Recruitment of two Operational Managers to lead the implementation of the 21st Century Schools programme.

Enterprise and Architecture Technology

1. This stream captured new IT systems, data and information flow processes required to underpin the effective delivery of Corporate Landlord services. It provided the means from which previously separate teams could align information and share data and systems more readily:
 - i) RAMIS
Health and Safety software system to manage Statutory Obligations tasks and data.
 - ii) Technology Forge Phase 1
Estates Management software to hold all property data, case management and property condition information.
 - iii) One Front Door
Improvement of existing software systems to support single point of entry for school and corporate customers in respect of requesting new building works jobs.

Asset Management Principles

2. Work completed in relation to specific projects designed to provide new information or guidance in support of Corporate Landlord core business activities.
 - i) Property Condition Surveys
A programme of surveys undertaken across the corporate and schools’ estate providing up to date property condition information to inform both immediate and planned preventative works

- ii) **Asset Renewal Programme**
A project implemented to utilise the data from the property condition programme to inform a planned maintenance programme across the schools and non-schools' estate.
- iii) **Education and Corporate Handbook**
Production of a corporate landlord handbook for the schools and non-schools' estate detailing the building management responsibilities of the corporate landlord function and service area managers.

Further Developments

For the period of the Property Strategy further developments will be progressed under the Corporate Landlord function: -

Estate Management

Additional property management support to be provided to service areas including schools to progress continued estate management and planned preventative maintenance programmes. Specific support to be provided to school estates teams on the safe management of school premises, planning maintenance work and contracting directly for maintenance work.

Statutory Compliance

Further development of the statutory obligations team through relocation of the function to Strategic Estates to ensure it forms part of the wider Asset Management Programme.

Technology Forge Phase 2

Implementation of a Job management system to improve the management and maintenance of Council building assets, and also provide mobile working technology for the Building Services DLO.

5.4. Modernisation

The theme of the CPS 2021-26 is Modernisation (Leaner and Greener). With the implementation of Corporate Landlord the Council is focusing concentrated investment in its retained estate to ensure it is compliant, fit for purpose, supports the delivery of services and is energy efficient.

Over the course of the previous strategy 2015-20, the Council invested in an estate wide property condition survey programme to understand buildings work requirements 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 programmes, estimating budgets and reporting.

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 teams in finance. The result is a planned programme for the current financial year, an indicative plan for the subsequent years, which is then managed according to priority and cost.

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.

The planned programmed maintenance requirement of the Priority 1 items in the operational estate from 2021 to 2026 is circa £45m. This has been derived from the estate wide condition survey programme and additional statutory health and safety inspections encompassing all corporate and education buildings.

The Council records all works within a wider programme including all statutory obligation remedial works and Priority 1 and Priority 2 items identified through the condition programme and any relevant subsequent follow up surveys.

These are defined as:

- **Statutory Obligation remedial works** – Any works that have been identified through statutory obligation surveys and are required to make that asset compliant with the relevant health and safety / building regulations.
- **Priority 1** – works that need to be undertaken immediately (including statutory obligation remedial works)
- **Priority 2** – works that if not undertaken in the next 12 months, will progress to Priority 1.

Typically Priority 1 items will include roofs, ceilings, windows, security systems, electrical and gas plant etc.

Broadly the £45m identified programme is split 65% Education Estate, 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.

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 building works. 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.

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.

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

- i) Planned Preventative Maintenance programmes
- ii) Improvement or refurbishment schemes such as Refit or strategic investments
- iii) One Planet / Hybrid building improvement programmes

- iv) Case by case refurbishments where identified
- v) Rationalising properties surplus to Council requirements

These points above will be subject to affordability assessment and reviewed through the established asset management governance process.

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

The Council has a large estate which consists of a variety of properties in regards 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 recent 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.

The property condition surveys undertaken on County Hall and City Hall identify issues which will require attention in order to maintain the buildings in an operational condition. Currently due to the pandemic the buildings are accommodating a reduced number of occupants, improvement works will be required prior to a substantial increase in occupancy numbers.

A recent survey of St David's Hall identifies condition issues in the roof and ceiling structure. The works require significant investment to maintain the building to ensure it remains in an operational condition in the long-term.

The Council have implemented the required health and safety strategies to ensure these buildings remain safe and useable until such time their futures are determined.

5.5. Historic Buildings

The Council's operational estate contains historic buildings of different construction types and uses which may have listed and/or heritage status. As part of the Corporate Landlord management process, County Estates has compiled a list of all historic properties for review. Some of these assets are in need of specialist maintenance, particularly in regards to stonework, in order to ensure they are safe and their condition is preserved. These sites have been added to the County Estates risk register that is updated quarterly. Where necessary the Council has taken action in the form of surveys, repairs, safety envelopes (including scaffolding) or other relevant measures as required. It is recognised that historic buildings are often of unique design and construction and as each asset is reviewed, businesses cases for their repair and maintenance will be prepared on a case-by-case basis.

Target: Modernisation – Completion of Priority 1 works

Achieve 100% of Priority 1 programmed works in each financial year based on an annually reviewed rolling programme.

5.6. Running Cost Review

The annual revenue cost of the operational estate as of start 2021-22 was £38m.

This total cost is comprised of various areas of spend that can be broken down into broad cost headings - grouped below into the top 5.

Cost type	Description	Value	Opportunity
Maintenance	Revenue maintenance within the operational estate	£8.3m	Review need for revenue maintenance aligned with planned maintenance programmes
Cleaning	Total cleaning cost per year in the operational estate	£6.8m	Review cleaning requirements in line with new ways of working
Utilities	Gas, Electric, Water and Other sources of energy in the operational estate	£7.5m	Reduce use of utilities in line with new ways of working and with offsetting projects
Business rates (NNDR)	Tax against all property in the operational estate	£7.1m	Review existing rates on large properties and maximise rate relief where appropriate
Rent	Total annual rent payment for properties within the operational estate	£1.85m	Rationalise the remaining operational leased assets

Table 7. The 5 biggest annual revenue costs in the operational estate

The remaining spend categories are smaller in scale and specific to building types and uses.

Reducing the running cost of the estate will be achieved by a combination of:

- i) Examining each area of spend through focused, County Estates instigated projects designed to identify opportunities maximise efficiency
- ii) Behavioural change resulting from new ways of working
- iii) Efficient use of space led by Hybrid Working and new approaches to service delivery.

The target is to reduce the running cost by £6m over the period of the strategy.

This has been calculated by projecting potential property relinquishments, allowing for the successful review of the five key areas of spend and resulting efficiencies, savings resulting from the changing use of the council's operational estate as new ways of working are established.

The current approach to revenue maintenance budget is to be reviewed over the course of the strategy. If the Council determines larger scale works can be avoided or reduced through enhanced early intervention revenue maintenance works, then it may be the case that rather than see a saving in this area, the spend may actually increase.

Target: Efficiency: Running cost reduction

Reduce the running cost by £6m by the end of the strategy

5.7. Leased Operational Assets

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 move away from leasing properties where possible, in favour of better utilising existing freehold properties. This was driven by the need to reduce the additional costs associated with rental payments and dilapidations and to 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.

This approach will continue during the period of the 2021-26 strategy with the Council undertaking an 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.

5.8. Core Office review

Background

Cardiff Council completed a large-scale Office Rationalisation programme in 2019. Starting in 2013 and running for 6 years. The objective of the programme was to maximise use of core office buildings and either sell or relinquish surplus smaller satellite offices.

As a consequence of this programme the Council currently has three core office buildings - County Hall, City Hall and Willcox House. This will imminently be reduced to two as Willcox House is in the process of being relinquished. Table 8 below summarises the key characteristics of the remaining core office buildings.

	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 8: Core Office summary

Issues

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.

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 use 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.

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 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.

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.

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 the Council was committed to retain over the long-term. Table 9 shows the carbon contribution of County Hall increased by 7% between 2019/20 and 2020/21.

Property	2019/20 tCO2e	2020/21 tCO2e
County Hall	1061	1139
City Hall	629	521

Table 9: County and City Hall carbon contribution change 2019-20 to 2020-21.

5.9. Education Estate

The School Organisation Programme (SOP) is made up of the following elements:

- **21st Century Schools** – delivery of £164m Band A and £284m Band B
- **Local Development Plan Schools** – 8 primary schools and 2 high schools
- **School Reorganisation** – proposals brought forward to meet strategic needs
- **Asset Renewal and Suitability works** – upgrading and enhancement of the existing estate

These elements are underpinned by the strategic planning of places.

Priorities for current transformation projects and ongoing investment are progressing consistent with those outlined in the Band B Strategic case which aligns with the Cardiff 2020 and more recently Cardiff 2030 education strategies. The Council has recently acquired Sites in Splott and Llanishen to assist delivery of Band B.

With proposed forward planning programmed for Band C the Council will engage with stakeholders to inform planning to ensure effective join up with the large LDP developments that are now building out at greater speed. It is expected to feature the continued emphasis on levelling up and prioritising equity in our education system with every school considered a good school that is well located, responsive to community needs and able to cater for learner aspirations.

The 21st Century Schools planning is also being supported by an improving asset renewal programme that is beginning to improve the estate and teaching and learning environments, and this will continue until new build opportunities are available.

The SOP programme is subject to separate governance managing implementation which feeds into the Cross Service Strategic Asset Group. Education and County Estates work closely on all transactions relevant to the SOP programme particularly in regards to acquisition and disposal. The SOP programme is fundamental to the realisation of Capital Receipts generated from surplus school sites.

5.10. Land management

Cardiff Council owns over 10,000 acres of land with County Estates department managing 1,600 acres. This is largely land held for development however also includes land subject to leases and other agreements such as easements and wayleaves. In some instances Cardiff Council is responsible for the management of all or parts of this land. County Estates will review this land and enhance the associated maintenance and security principles through the asset management process for land that is retained.

6. Non-Operational Estate

6.1. Definition of the Non-Operational estate

Non-Operational estates are assets owned by the Council but leased to third parties, which may be on commercial terms, but with a large proportion also let on 'community' lease terms. Examples of community leases include scout huts, community centres and local sports facilities. The Non-Op portfolio has been created to capture all leased assets which do not fall within the definition of the Council's Investment Estate.

As a result, this portfolio is diverse and requires a different style of management within the portfolio whilst having regard to the Landlord and Tenant principals. Some of these community leases have evolved through the lease of former Council community operational properties, with others being leisure and social groups such as Scouts which have come into the portfolio from being former operational assets. There are approximately 250 assets in the portfolio producing a gross income of approximately £520k pa.

Given the types of groups or Tenants, the portfolio has been sub divided into Commercial tenants which are predominantly retails parades and pub ground leases and Non-Commercial tenants which consists of Community leases and groups providing a service to the community through leisure and social functions. The split is roughly 50/50 commercial and non-commercial.

6.2. Non-Operational Strategy Aims and Objectives

Whilst there has not been a stand alone strategy for the Non-Operational portfolio, in anticipation of a strategy, work commenced in 2018 to review each asset to understand the lease structure and the type of tenant and to align this to the investment Estates categories for the purposes of ongoing management and prioritising the work required as follows:

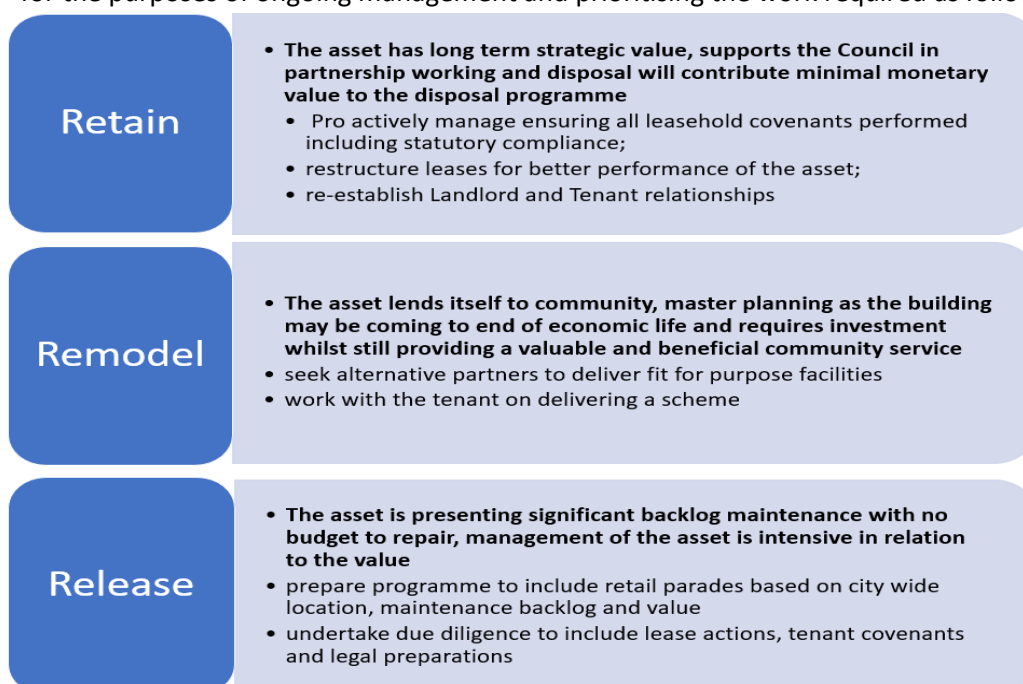


Figure 2. Non-Operational estate review method

6.3. Non-Operational Strategy 2021-2026

To ensure a consistent approach, the Council propose to adopt a policy for a variety of requests to ensure the Council's Freehold and retained interest is not adversely affected.

Existing Assets – Regear

If there are existing requests outstanding then it is proposed that we will continue to negotiate on a case by case basis provided that the proposal does not have a detrimental effect on the reversionary value of the asset.

Granting New leases

New Non-Operational Estate assets will predominantly come from the operational estate where service areas have declared the asset surplus to their requirement.

In progressing a leased opportunity, certain actions and criteria must be followed to ensure that the buildings formally declared surplus following the Council's policy and is safe and compliant prior to transfer.

Lease Renewal

Each renewal should be reviewed 12 months prior to the expiry date. This provides enough time for the Council to consider needs for the future.

As opposed to serving a Section 25 notice offering new terms, each asset should be carefully considered and discussed at the non-operational working group if necessary. Given that the Council are considering the remodelling of some of its assets consideration should be given as to new terms offered.

Contact with tenants

It is intended to write annually to all tenants to remind them of their terms under the lease and in particular the statutory obligations that they need to undertake. This is more relevant to the non-commercial side of the portfolio but for completeness, the letter will be sent to every tenant.

Training for Community Lease contacts

As a Social landlord, we propose to invite all non-commercial tenants who have a leased building (not ground lease) to a training session at the Council, to be run by Health and Safety. This will be tailored on the existing Premises Manager/Duty Holder training courses run for internal staff. The course is intended to be a half day and three dates will be offered. This will be compulsory and a record will be kept of all attendees. Should no representative attend, then the occupier will be contacted for an immediate inspection.

The training course will cover all aspects of building management and the aim of the course is to ensure all attendees understand the importance of statutory maintenance to include fire, asbestos and legionella.

It is anticipated that the Council will offer a list of approved contractors for the Tenants to liaise with and in the future, an SLA can be arranged whereby the Council undertake the works on behalf of the Tenant and recharge.

Inspections

Generally, internal inspections of approximately 33% of Retain and Remodel is aimed for annually). The data collected will be logged onto Tech Forge. If concerns are raised on breaches in lease and in particular Health and Safety issues, there will be clear guidelines as part of the County Estates handbooks outlining relevant actions to be taken.

6.4. Debt

The Council has an established Debt policy which is managed through income recovery. However, we propose to liaise closer with tenants going forward on any debt issues occurring and provide greater support to our finance colleagues.

6.5. Cardiff Market

Cardiff Market is a historic building at the heart of the city having traded in various capacities since the 1700's. The Council is reviewing options to modernise the market to ensure the property is fit for purpose and able to meet the needs of traders and customers. This review will also consider opportunities to broaden the scope of activities at the market to include community events and activities such as literary festivals, more night markets and other food focused activities. Further updates will be reported through the APP at the appropriate time.

7. Investment Estate

7.1. Investment Estate Purpose

The investment estate is a portfolio of non-operational property for the primary purpose of maintaining levels of income to support the Council's existing revenue budget.

The portfolio also serves the purpose of being a key enabler to stimulate and encourage economic growth by investing in key sites for regeneration purposes. Examples include the regeneration of Central Square, the Canal Quarter and employment space initiatives

In November 2015 Cabinet approved some changes to the way the investment estate is managed. These key changes were:-

- All non-operational income producing property be held corporately, managed by Strategic Estates, with associated budgets realigned.
- The establishment of a new investment estate with a recommended approach to governance and operational arrangements
- Proactive asset management of the estate with capital receipts generated from the sale of investment estate assets being ring-fenced for reinvestment in similar assets to improve the yield of existing assets or to purchase better quality and better yielding assets that may also support longer term strategic aims.

7.2. Investment Estate Summary

The estate currently comprises circa 200 assets producing a gross rental income in 2020/2021 of £4.078 million. The current estimated capital value of the estate is £65.75 million and this income represents a gross yield of 6.20%.

The estate includes a wide range of property types of variable commercial quality, with a focus on industrial property ground leases.

There is sometimes a distinction between properties held for investment and those which are held primarily for economic development purposes. The Council has a social role to play in holding or acquiring property for economic development and regeneration and in this regard, appropriate sites and properties will be considered as additions to the investment estate, subject to a robust business case, risks and agreed policy initiative for doing so

A professional and proactive approach to the management of the existing estate is good commercial asset management practice, with opportunities reviewed on an ongoing basis. Opportunities to improve asset value include:

- Disposal of poor performing assets and reinvestment in better yielding properties which support the strategic aims of the Council
- Re-gearing ground leases
- Selective buying in of ground leases and re-letting

Red Dragon Centre

The Council acquired the Red Dragon Centre in January 2019 as approved by Cabinet Report. The asset is a substantial leisure investment anchored by an Odeon multiplex cinema,

bowling facility, casino and a variety of smaller tenants providing restaurants, bars and a gym. Since acquisition the centre has been managed by the Council's retained asset managers (Savills) and onsite staff, with whom the Council has worked closely to mitigate the significant impact of COVID-19 restrictions on operations. The centre is now returning to normal operation and the existing management arrangements remain in place going forward, with regular monitoring and reporting of the income taking place involving Savills and the Council's Estates and Finance teams.

In line with the developing Arena masterplan, in the longer term, a strategic analysis is being undertaken for the centre which will be presented to Cabinet early next year.

7.3. Investment Strategy 2021 -2026

As of start 2021/22 the Investment estate comprises circa 200 assets, generating £4.078m rental income per annum, is valued at £65.75 million (2020 valuation date) and this represents a gross yield of 6.20%. The estate is dominated by 147 ground rent assets representing 72% of the portfolio.

More proactive asset management will enable the Council to increase income generation through maximising value from existing assets and buying in additional income via new acquisitions.

Existing Assets - Acquisition of Long leaseholds

The Council will continue to identify properties in the industrial ground rent portfolio, particularly in the core locations of Hadfield Road and Ipswich Road, where the long leasehold interest has less than 40/50 years unexpired. A target list of such opportunities will be maintained and reviewed, with the primary aim of achieving surrenders of the long leaseholder's interest. Successful implementation of this surrender and regrant strategy will drive income generation, by tapping into the occupational market rents in a historically strong industrial sector.

Existing Assets - Regears

Continued portfolio review will also identify ground rent assets in instances where reversionary potential is limited, or where the long leaseholder is unwilling to discuss surrender terms, lease regears should be explored on a case-by-case basis in return for a market rent/capital sum or combination of both. Any capital receipts can be ring-fenced to assist in funding of the acquisition of long leaseholds with stronger reversionary potential.

Additional Income - Acquisition of New Assets

In order to improve the quality and diversity of the portfolio, the Council will selectively consider the acquisition of new investments. Opportunities pursued should preferably be anchored by strong tenant covenants, on institutional quality lease, in strategic locations supporting the Council's long-term regenerative activities. Opportunities which have synergies with the existing estate will be prioritised.

In recent years there has been a trend from certain local authorities to acquire investment property on a national basis solely for yield and to support diminishing revenue budget support from central and devolved governments. In many cases this has been paid for by

undertaking borrowing from the Public Works Loan Board. Borrowing to invest has not been part of the strategy of Cardiff Council, which has limited acquisitions to opportunities within its own boundaries from the rationalisation of the existing estate and this approach will be continued to support the proactive management of the estate to meet strategic aims of the Council. Such activities will only be undertaken without increasing the Council’s borrowing requirement i.e. from receipts in hand.

Furthermore, it is noted that there has been significant regulatory concern about the sustainability, risks and proportionality of such borrowing activities. CIPFA in proposed updates to codes as well as the PWLB changes in lending policy are clearly of the view that such activities need a strengthening of governance, to the extent that the PWLB will prevent local authorities from accessing borrowing from it for any activity, if capital programmes include acquisition of investments solely for generating additional yield. This therefore represents a significant corporate risk moving forward, were such activities deemed to be captured within updated regulatory regimes.

Capital Raising - Freehold Disposal

Where ongoing review of the investment portfolio identifies assets with limited strategic value, high maintenance backlogs or where the Council are unable to realise the maximum value, disposal will be considered. This will generate ring-fenced funds to assist the funding of acquisitions on new or long leasehold interests, whilst any revenue income loss will be managed within existing revenue budgets for the estate

Governance

Where necessary, the Council engages the services of external property consultants to advise and assist in this objective. A governance framework is in place to oversee all decisions and ensure accountability.

All valuations pertinent to these activities will be carried out, or verified, by a fully qualified member of the Royal Institution of Chartered Surveyors with relevant valuation competency.

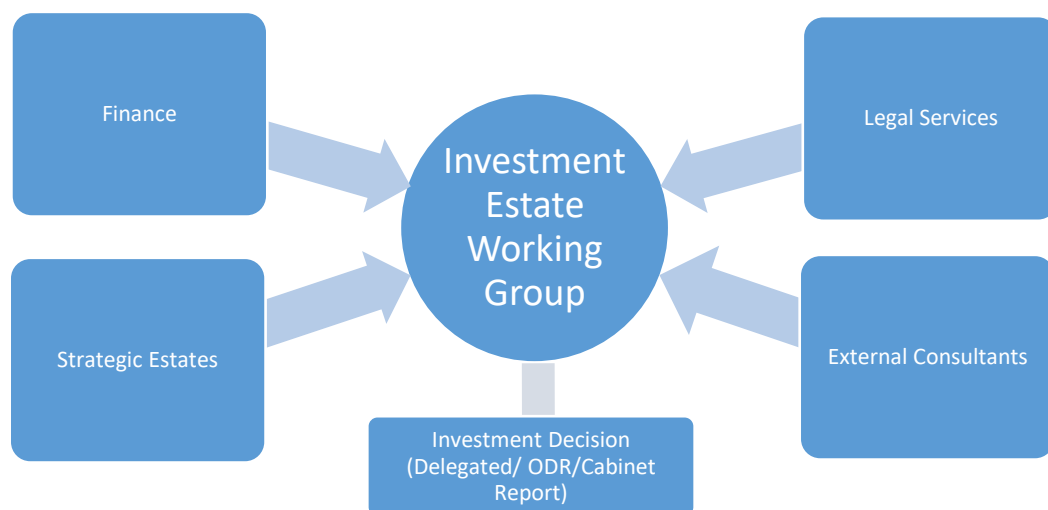


Fig 3: Diagram showing the governance arrangements of the Investment estate

7.4. Rental Income Target

The Council will seek to increase the rent collected from the Investment estate. The investment estate currently produces an income of just over £4m per annum. Over the past 5

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.

It is important the portfolio continues to be managed solely on commercial terms and under the principle that any capital receipt achieved from sale of an investment property, is ring-fenced into future investment estate acquisitions.

Target: Rental Income

Increase the portfolio income by £600k from £4m per annum to £4.6m by end of the strategy.

8. Capital Receipts

The delivery of capital receipts remains a critical objective to support the Council's capital programme

Capital Receipts are obtained principally through the sale of Council owned land and property. This is a consequence of the Council having considered all options through the asset management review process and ultimately determined that appropriation or freehold disposal is recommended as the best way for the Council to achieve its objectives.

Although the large-scale rationalisation of operational property was completed through the previous strategy, Hybrid working, One Planet Cardiff and changing service needs as the Council recovers from the impacts of 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 for appropriation or disposal and the realisation of capital receipts.

The receipts programme will also be heavily supported by the ongoing review of the Non-Operational portfolio, in particular the disposal of retail parades, which are subject to an ongoing rationalisation programme approved through the previous property strategy.

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. Land disposal proposals will continue to be worked-up on a case-by-case basis and opportunities presented in the form of a Cabinet report for Cabinet to consider. 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.

The Council's Housing Revenue Account (HRA) programme will remain a significant contributor to the capital receipts target as land appropriations result in capital receipts into the general fund.

The capital receipt target will be monitored by collating the receipts from all land and property transactions (excluding the Investment portfolio) throughout the financial year.

8.1. General Fund Target - £40m

A revised Capital Receipts target was agreed by Cabinet in APP 2018/19. This 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 below:

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

Table 10: £40m Capital Receipt programme status.

£25m is projected to be delivered by the end of 2022/23 from within the Corporate Estate (non-SOP). 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.

8.2. Capital Receipts 2021-26

Further continuing the review of land and property established through the previous strategy and the £40m receipt programme, Strategic Estates will identify and deliver general fund capital receipts over the five year 2021-26 strategy period.

Corporate Estate disposal programme	Year 1	Year 2	Year 3	Year 4 (Projected)	Year 5 (Projected)
	2021/22	2022/23	2023/24	2024/25	2025/26
<i>In year total</i>	<i>£9.7m</i>	<i>£6.8m</i>	<i>£3m</i>	<i>£3m</i>	<i>£3m</i>

Table 11: Anticipated capital receipts profile 2021-26.

The first two years of the 2021-26 strategy period are already profiled as part of the £40m target timescale. The final three years of the strategy are projected to deliver circa £9m from the sale of surplus assets resulting from ongoing operational property reviews, retail disposals and land reviews.

Target: Capital Receipts

Deliver £25m general fund capital receipts by the conclusion of the strategy

9. Governance & Processes

9.1. Governance

The Director for Economic Development is the senior responsible officer for the strategy. County Estates lead on the transactional implementation of the Annual Property Plan, reviewing through the Cross Service Strategic Asset Group and the Cabinet Member for Development & Investment. Examples of key property related governance include:

- **Cross Service Strategic Asset Group**
Manage the implementation of the Corporate Property Strategy. Undertake actions, propose initiatives, deliberate property proposals.
- **Non-Operational Estate Working Group**
Manage the direction and performance of the Non-Operational Estate.
- **Investment Estate Working Group**
Manage the direction and performance of the Investment Estate.
- **Estates Programme Working Group**
Manage the programme of large scale / resource intensive property projects.
- **SOP Strategic Programme Group**
Manage the delivery of the SOP programme.
- **Social Services accommodation Working Group**
Manage the property requirements of the Council's Social Services departments
- **Ystadau Cymru - Cardiff & Vale Regional Group**
Cardiff Council, Vale of Glamorgan Council, Welsh Health Estates, Cardiff and Vale University Health Board, SW Police and SW Fire.

9.2. Partnership Working

Effective collaboration with public sector organisations to deliver mutual well-being objectives and partnership service provisions remains a key priority of the Council's strategic property management process. It is important that this process is supported via an agreed governance system that feeds through to the Public Services Board.

The COVID period has been a substantial challenge for all public organisations but has also resulted in new partnership projects and relationships that have been very successful - such as Testing and Vaccination centres as part of the COVID 19 response. These collaborative projects demonstrate what can be achieved through effective partnership working between public sector organisation.

Recent other examples of collaboration ongoing include the HUB programmes at Maelfa and Ely & Caerau phase 2 proposals.

There are opportunities for further strategic partnerships for example in newly emerging communities through the Local Development Plan. Governance is via:

- **Partnership Working Group**

Review, manage, propose and direct partnership property projects aligned with well-being objectives and mutual collaboration objectives. Cardiff Council, Cardiff and Vale University Health Board, SW Police and SW Fire.

9.3. Key Processes

Council constitution

Cardiff Council's Constitution sets out how the organisation conducts business and makes decisions. The constitution establishes the delegated authority decision process for the purchase, sale or appropriation of land. It defines the value of transaction that can be authorised by the Head of Estates, the Director of Economic Development and by Cabinet and also the time period those decisions need to be advertised for on the Council's website. The Council's legal obligation under section 123 of the local Government Act 1972 when disposing of land, including public open space disposal. Also the Welsh Government General Disposal Consent 2003 in regards to community orientated transactions contributing to economic, social or environmental wellbeing.

Disposal process

The disposal process describes the steps the Council progresses through when managing land and property that becomes surplus to service and then Council requirements. Ensures a corporately consistent approach applies to all Land and Property including HRA assets. The process provides a clear alignment to the Council's constitution and audit of decision making.

1. Land Declared surplus by managing service area.
2. County Estates undertake an initial assessment of alternative operational uses and other opportunities such as suitability for appropriation or disposal via lease or disposal of freehold.
3. Options are presented to the Cross Service Strategic Asset Group for consideration and recommendation.
4. Recommendations are presented to the Cabinet Member for Development & Investment for consideration.
5. Where agreed, recommendation is included as a proposal within the Annual Property Plan.
6. Annual Property Plan is presented to Cabinet for approval.

Inevitably the Council will be required on occasion to progress in year transactions that sit outside the annual APP publication timescales. The Director of Economic Development will approve transactions or where relevant seek approval from cabinet on a case-by-case basis.

10. Conclusion

The Council's Property estate serves a vital role in the provision of statutory and community services. It is a large and varied portfolio of land and property that benefits from a clear strategy setting out a framework for management and decision making.

New challenges that will lead to further review of the operational estate include One Planet Cardiff and Hybrid Working. Modernisation of the estate through planned preventative maintenance remains a priority that must be aligned with investment to implement Hybrid Working and One Planet Cardiff. Service need is central to the requirements of the operational estate and it is important the estate is managed in a dynamic way, able to respond to changing service need and enhance service delivery through provision of good quality environments.

The leased estate provides income from investment assets leased on commercial terms providing an important source of revenue to the Council. Non-operational leases provide opportunity for local community provision.

The strategy establishes new targets to track performance that will be reported to Cabinet annually via the Annual Property Plan.

Land and Property remains central to the strategic, financial and service delivery objectives of the Council.

10.1. Strategy Target Summary

The table below summarises the Corporate Property Strategy 2021-26 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 12: The Corporate Property Strategy 2021-26 targets

The nature of property transactions and property management dictates the delivery of the strategy targets will not be achieved through equal annual contributions. This is consistent with the previous strategy. Some years may have larger contributions to targets than other years with the exact forecasts and achievements being reported via the APP.

Although targets and achievements may vary from year to year, the objective is to deliver the strategy targets by the end of the five year strategy period.

11. Appendix

Appendix 1. Corporate Property Strategy 2015-20 Review

Corporate Property Strategy 2015-20 Review

In 2014 Cardiff Council published the Corporate Property Strategy (CPS) 2015-20. The strategy was developed to provide a Council wide framework for managing the estate, establishing new governance, a clear direction of travel, quantitative improvement targets and general themes to be pursued over the 5 year period.

Focussing primarily on the operational estate and excluding Housing and leased assets, the key points the strategy established included:

- i) All property to be considered as a Corporate asset
- ii) New governance was introduced in the form of Asset Management Working Group.
- iii) Property performance targets to be achieved by 2020 including:
 - Reduction of Gross Internal Area (floor space)
 - Reduction of Annual Estate Running costs
 - Reduction of Total Maintenance Backlog
 - Delivery of capital receipts
- iv) Introduction of the Annual Property Plan (APP), reporting progress on the targets each year to cabinet together with proposed property transactions for the coming year

All property to be considered as a Corporate asset

As identified in the Audit Wales 2014 report, Cardiff Council had an opportunity to adopt a more corporate, joined up approach to property management. Property in the Council portfolio is either owned or leased by Cardiff Council, however management is divided between responsible service areas. Audit Wales noted that service areas were clear on the property objectives of their managed area, but examples had been noted where service areas had acted in isolation and missed opportunities to deliver joined up mutually beneficial strategic projects.

The Corporate Property Strategy 2015-20 established that all property would be considered a corporate resource. This highlighted the need to resource a strategic asset management function in the Estates team to work across all service areas to understand service area requirements, share planned transactions, identify opportunities for strategic join up and undertake reviews of the operational estate.

New governance

To support the strategic approach and establish property as a corporate asset, new governance was established. Service Areas already had individual governance streams

relevant to property but there was not one group that had overall sight of proposed transactions. The Cross Service Strategic Asset Group was created to serve this function. The Working Group would consider the annual transaction list and propose options and recommendations on strategic projects for Cabinet consideration.

The Partnership Working Group was also introduced, chaired by Cardiff Council and attended by the Cardiff and Vale University Health Board, SW Police, SW Fire Service and other public sector partners depending on agenda. The purpose of the Working Group was to align cross partnership strategic property projects and devise new ways to work together on property matters that assisted delivery of the well-being objectives.

Property performance targets

To ensure performance towards the strategy objectives could be accurately measured and tracked, targets were introduced in four key areas. As the theme of the strategy was rationalisation, “Fewer, but better buildings” the targets were selected to support delivery of that objective.

1. Gross Internal Area Reduction

Introduced to track the decreasing size of the estate. Achieved through property sales, operational lease relinquishments, letting of operational property and demolitions.

2. Maintenance backlog reduction

Introduced to track the reducing maintenance backlog of the estate. Achieved through property sales, operational lease relinquishments, large scale repair works, letting of operational property and demolitions.

3. Running Costs reduction

Introduced to track the reducing running cost of the estate. Achieved through property sales, operational lease relinquishments, letting of operational property and demolitions.

4. Capital Receipts

Introduced to track all property disposals and all land and property sale receipts. Achieved through the disposal of land and property.

Introduction of the Annual Property Plan (APP)

To ensure performance against the targets was reported in a planned and consistent way, the Annual Property Plan (APP) was introduced requiring approval by cabinet each year. The APP records all property transactions from the previous year and all planned transactions for the coming year. In total 5 APPs were produced for each year of the property strategy plus a further 6th APP for the 2020/21 COVID impacted year.

The APP's 2015-20 showed all strategy performance targets were achieved and exceeded.

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

Appendix Table 1. Corporate Property Strategy 2015- 2020 – all targets exceeded

