

Annual Property Plan 22/23



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1. Summary

The Annual Property Plan (APP) is an annual report that sets out the property programme for the forthcoming year; provides an in-year update; and summarises key property related programmes. The APP applies to the operational portfolio which comprises land and property used to deliver or support Council services, and also the leased Investment and Non-operational portfolio's.

The Property Strategy 2021-26 established property performance targets to be achieved over a five-year period. The APP reports progress towards these targets through completed land and property transactions. The APP also lists proposed transactions for the present year, seeking authority from cabinet to proceed.

The property strategy 21-26 identified five performance targets:

- **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%.
- **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.
- **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.
- **Capital Receipts**
Commitment to ensure support to the Council's capital programme via disposal of land and property. Achieve £25m general fund capital receipts.
- **Investment Estate: Rental income**
Target to increase the rental income from leased property by £600k.

APP 22/23 Targets

Each year the APP determines targets to be achieved annually that then contribute to the strategy target. The 2022/23 targets are as below:

| | Carbon reduction | Priority 1 works commissioned | Running Cost reduction | General Fund Capital Receipts | Investment estate target |
|--------|----------------------------------|-------------------------------|------------------------|-------------------------------|----------------------------|
| Target | Maintain current position | 100% | £100k | £5.5m | n/a (5 year target) |

Table 1. Annual Property Plan targets 2022/23

2. Background

The Council's land and property estate is considerable, with property running costs representing the second largest call on the Council's budget after staff costs. Changes to the way in which the Council delivers its services is inextricably linked to the management of its operational property estate and therefore strategic estate management offers an on-going opportunity to support improved efficiency and service delivery. This is particularly relevant in the post COVID recovery period as services adapt to working in new ways and different environments, for example the adoption of Hybrid Working models.

Land and property management is a key strategic activity which aligns the Council's service and financial objectives with the property estate. It ensures optimisation of property assets to best support the organisation's business goals and objectives. The requirement for effective land and property management is based on treating property as a corporate resource which forms the basis of the County Estates team and Corporate Landlord principles.

In December 2021, Cardiff Council adopted a new five-year Corporate Property Strategy (2021-2026) setting out a framework within which all Council property related matters are to be managed. The Cabinet approved Strategy, entitled "*Leaner and Greener*", established a series of targets over the five-year period designed to support core corporate objectives relating to service delivery, regeneration and the Council's budget.

The Annual Property Plan (APP) is an annual document which serves as the implementation plan for the Strategy. The annual targets within the APP contribute towards the five year targets established within the Property Strategy, setting out the transactions completed from the previous financial year, as well as the transactions planned for the current financial year. The APP also provides updates on any relevant property projects or initiatives and their relevance to the property strategy.

An Annual Property Plan will be published for each year of the five year Corporate Property Strategy. Financial year 2021/22 was the first APP in the new strategy and APP 2022/23 is the second.

3. APP 21/22 Acquisitions

| Property | Tenure | Action / Status | Notes |
|-------------------------------------|----------|-----------------|---------------------|
| Land at ISV (Greenbank) | Freehold | Purchased | ISV development |
| Former HMRC Offices, Ty Glas Avenue | Freehold | Purchased | New school site |
| Land at Tyndall Street | Freehold | Purchased | New school site |
| 1, 2 & 3 Cwrt Bessemer | Freehold | Purchased | Housing acquisition |

Table 2. Acquisitions 2021/22

4. APP 21/22 performance

| | Total estate Running cost reduction | Priority 1 works commissioned | Built Environment Carbon reduction | General Fund Capital Receipts |
|---------------------------|-------------------------------------|-------------------------------|------------------------------------|-------------------------------|
| APP target 2021/22 | £300,000 | 100% | -1% | £15,000,000 |
| Achieved 2021/22 | £257,098 | 100% | +8% | £13,538,297 |

Table 3. Annual Property Plan targets 2021/22

Transactions that did not complete in 2021/22 have been moved into the 2022/23 plan.

5. APP 22/23 Overview

The Corporate Property Strategy 2021-26 set out the strategic intent for key elements of the property estate. These areas cover a broad area of work programmes and are subject to specific governance. They impact performance of the estate at a strategic level with notable updates including:

Hybrid Working

Development of the Council's accommodation strategy in relation to Hybrid Working is at an advanced stage. This is an important workstream in the context of the Council's operational estate, particularly in regards to Core Office, as the outcome will have a significant impact on the Council's future office requirements.

Finalisation of the Hybrid Working model will be a key consideration in the retain / remodel / relinquish decision making process within the operational estate. This in turn has a linked dependency with the modernisation and carbon reduction initiatives as the Council seeks to make the best value investments that maximise the objectives in those specific areas. For example, it will be key to invest in properties and spaces that the Council intends to retain over the long term and are aligned to service requirements.

Regeneration

Utilisation of the Council's land and property assets is fundamental to the delivery of large-scale regeneration schemes aligned with the Council's Economic Development and Wellbeing initiatives. Examples include the International Sports Village and the Atlantic Wharf masterplan. These schemes are of a scale that requires specific governance and individual cabinet reports. The related land and property transactions are reported through the Annual Property Plan. Given the community impact of major regeneration schemes it is important to ensure appropriate consideration is given to equality impact and future generations.

The remaining vaccination centres at Bayside and Splott are due to close this financial year and the sites will return to Council management. The former STAR Centre will

be subject to a housing redevelopment scheme, and the former Toys R Us building will be brought forward as part of the International Sports Village regeneration.

Housing

The Council's Housing targets remain a corporate priority. The Property Strategy established the principle that any Council owned sites declared surplus to service requirements should be assessed for suitability to meet Housing objectives. This is a key element of the decision-making process when disposing of surplus sites.

The appropriation of general fund sites to the Housing Revenue Account (HRA) has made up a significant proportion of the annual capital receipt target over the course of the last 6 years. As new Housing programmes are developed it is anticipated further appropriations will be required to ensure an adequate supply of suitable sites. These will be reported through the Annual property plan and specific HRA governance.

SOP

Implementation of the Sustainable Communities for Learning Band B programme is ongoing. The replacement Fitzalan High School on Leckwith Road is at an advanced stage of construction and the St Mellons CiW Primary is also progressing well on site. A number of other projects are progressing through the design phase, including the Fairwater Campus and the new Willows High School. The programme has successfully developed Net Zero Carbon (NZC) standards for new build schools and improved procurement processes. Welsh Government has supported strategic land transactions to enable the implementation of the programme, such as the acquisition of the former HMRC site at Ty Glas, Llanishen. Risks remain in relation to increasing inflation in the construction sector and changing demographics. A strategic plan will be brought forward in due course to establish principles for decision making and priorities. An annual programme update report will also be brought forward in the Autumn 2022. There is limited land available within the Council's estate so there may be further acquisitions and disposals to support future projects. Any transactions would be reported through Cabinet and the outlined in the Annual Property Plan.

Corporate Estate

In addition to the impact of Hybrid Working on core office noted above, the Council's operational estate is under constant review to ensure alignment with changing service needs. Statutory services such as Social Services continue to evolve delivery models post COVID that may see property requirements change. Other areas of the estate under review include the Council's operational depots and the full range of sports & leisure facilities. It is important to consider service needs together with the Council's Financial, Hybrid Working, Carbon Reduction and Modernisation programmes to enable good property decisions over the short, medium and long-term.

Land

The Council estate includes considerable land assets principally used either operationally for purposes such as Education, recreation and public open space or is held of planning purposes to deliver future development and regeneration. Where land becomes surplus to service requirements it is assessed to determine most appropriate future use. This includes alternative operational use by other service areas to deliver different services i.e. a change of use. However in some instances the land is declared surplus to Council requirements and can be considered for disposal.

The delivery of various Council objectives is dependent on the availability of land. Examples include established regeneration programmes such as Housing and SOP. More recently One Planet Cardiff and the Council’s objectives relating to sustainability and carbon reduction have introduced land dependent projects such as Coed Caerdydd and community food growing. Finally the Council has a capital receipts target to support the capital programme. The decision making process will consider where land could be used to meet more than one of these objectives and

One Planet Cardiff – Carbon Neutral Built Environment

The One Planet Cardiff strategy seeks to achieve a carbon neutral Cardiff Council by 2030. The Built Environment is one of the key components to the total carbon footprint of the Council. The Built Environment is comprised principally of the Corporate and SOP estates. The Property Strategy 2021-26 set a target of reducing the carbon footprint by 30% in the Built Environment by 2026.

The table below shows the carbon footprint of the Cardiff Council built environment over the last three years. 2019/20 was unaffected by COVID and serves as an effective benchmark year. The trend shows a considerable reduction in the carbon footprint in 2020/21. This was largely due to the Council closing operational buildings as part of the COVID response. 2021/22 saw an increase from the previous year, but not back to 2019/20 levels. The increase in carbon footprint in the built environment in 2021/22 was largely due to the easing of COVID restrictions and the reopening of Council operational properties.

| | 2019/20 | 2020/21 | 2021/22 |
|---|---------|---------|---------|
| Built Environment Carbon Footprint tCO2e | 19,000 | 15,000 | 16,300 |

Table 4. Carbon footprint in the Built Environment 2019/20 to 2021/22

The APP carbon reduction target for 2022/23 is to maintain the carbon footprint at its current level and minimize any rise back to previous levels.

The Property Strategy sets out the key areas of focus to permanently reduce the built environment carbon footprint including modernisation of the estate through refit, behavior change, more efficient use of our properties, passive decarbonization of the grid and rationalisation of property. These schemes are ongoing and will take time to mature and make a notable change to the annual carbon footprint. Significant decreases may not be seen until later years of the Property Strategy and the One Planet Cardiff Strategy.

The Council has invested in new pilot benchmarking tools in both the corporate and education estates. These tools provide up-to-date and accurate utility usage allowing for a more accurate carbon output calculation. Further budget has been secured through the One Planet Cardiff carbon reduction programme to install further benchmarking tools within the corporate estate. Installation is planned over the next two years. It is important that the Council is able to report the carbon footprint consistently year on year over the course of the One Planet Cardiff strategy.

Preliminary work is underway to develop Refit 4. Nineteen school sites have benefited from previous Refit programmes delivering an average of 13% carbon reduction. Refit 4 will once again include schools but will also be extended to the corporate estate. Due to the scale of

works required to meet One Planet Cardiff carbon reduction targets, Refit 4 will be the largest programme thus far. The detail of the programme is currently being developed and will be subject to a separate cabinet report.

In regards to carbon offsetting, in its first planting season (21/22) Coed Caerdydd enhanced the city's traditional tree planting activities to achieve an extra 8 ha of new woodland areas across the city (20,000 individual trees in total). This represents an increase of over 350% of the traditional planting activity.

The overall target for One Planet Cardiff is to increase canopy cover across the city from 18.9% to 25% by 2030 which requires 839 Ha of land. As noted above, there is a range of competing demands for land to deliver other Council objectives. The Authority currently does not have sufficient land in its portfolio to meet the quantities needed. It is likely private land holdings will need to be utilised where possible and opportunities arise.

Modernisation

Modernisation of the estate describes the planned investment, repair and improvement of the councils corporate and education properties. The Property Strategy sets a target of ensuring all priority 1 works identified (through surveys, suitability assessments and statutory maintenance) are commissioned on an annual basis. This was achieved in 2021/22 with £21.8m works commissioned in total, £2.3m in the corporate estate and £18.5m in education.

The programme in 2022/23 is likely to be more extensive, with a provisional total works value of £54m, split £3.2m corporate and £51m education. This programme is draft and subject to affordability and contractor availability. A key piece of ongoing work relates to the alignment of planned capital works (asset renewal) with the carbon reduction refit proposals. It is important that going forward these work streams are planned together and complement each other to ensure maximum value for money and impact within the retained estate.

The education estate has seen an increase in spend from circa £13.1m in 2020/21 to £18.5m in 2021/22. Despite the increase spend, significant risks and challenges still remain due to the age of the estate. Despite the increase in planned works, there are still regular non-planned works some of which are significant. Examples include Stacey Primary School major refurbishment; Tremorfa Nursery structural works; Gwaelod Y Garth demountables; various stonework issues and underground water leaks. Due to the peak of secondary mainstream places and increasing ALN demands, the programme is also bringing forward a number of larger schemes to accommodate the sufficiency demands. Further work is underway to assess the condition of the education estate and to set the annual asset programme of work.

For reasons of materiality and consistency with other capital controls, a de minimis level of expenditure is applied below which capital spend is treated as revenue. This de minimis level is set at a £6,000 and is applied at a scheme/project level rather than on an invoice-by-invoice basis.

In the absence of a budget for undertaking asset renewal work of value less than £6,000 because the revenue budget is small in value, such works are being undertaken in a reactive way and may not be addressed until the works situation approaches a critical state. County estates will work with finance colleagues to consider appropriate budget options for the undertaking of proactive asset renewal works below the capital de minimis level of £6,000 in future years.

In July 2022 Cabinet approved the procurement of the third generation building framework. Authority was delegated to the Director of Economic Development to complete the procurement. The new framework is scheduled to take effect from 1/4/23.

Running Cost reduction through relinquishment

The property strategy identifies a £6m reduction target over the course of the strategy. The principle means of achieving savings is through rationalisation of the Council's operational footprint. The implementation of hybrid working, and reviews of the operation estate are anticipated to deliver larger running cost savings in later years of the strategy. In 2021/22, a reduction of £260k was achieved. £100k is the target for 22/23.

The cost of energy has risen significantly over the last 18 to 24 months. Cardiff Council is part of a UK wide consortium via CCS (Crown Commercial Services) which includes all other public sector bodies. The CCS purchase our power and gas on the market over a set period of time. As part of this we have large economies of scale to support us with getting the very best prices on the market and to negate as much risk as possible. As such we have been protected from the widely publicised energy spikes with the increases not filtering through until April 2023.

Both the CCS and Cardiff Council's in-house Energy Team continue to monitor the utility markets and work closely with finance to set budgets. The prevailing sentiment is that the next financial year will be the highest in terms of cost and although it will not go back down to historic levels (pre-COVID) it is anticipated the market will soften slightly from 2024. The market is expected to remain high until at least 2030.

Capital Receipts

Capital Receipts from the disposal or appropriation of general fund land and property is critical to support the Council's capital programme. The Corporate Property Strategy targets achieving £25m Capital Receipts by 2025/26. £2.1m general fund receipts were achieved in 2021/22. The target for 2022/23 is £5.5m with £2.5m achieved as of Q3.

The former Glan Morfa school site will be appropriated to the HRA in 2022/23, implementing a meanwhile community use prior to redevelopment in future years.

As part of this Cabinet Report and per the APP list, specific approval is being sought for delegated authority to complete the disposal, via appropriation of by the HRA, of land at the former Llanedeyrn Family Centre and St Teilo's School. The land has been rendered surplus via the School Organisational Planning programme. The capital receipt captured will include provision for ring fenced sums for new school pitches and other relevant community proposals.

Investment Estate

The Property strategy identifies a £600k net increase in rental income by 2025/26. This is not tracked in the APP on an annual basis due to the nature of the transactions in the portfolio. However, it is managed through established governance involving Estates and Finance officers.

The Council's Investment Estate will continue to be managed with a commercial approach, completing outstanding lease events and where opportunities arise, seek to re-gear leases and potentially re-let at higher commercial market rents. Currently, there are 17 rent reviews to implement across the Investment portfolio in FY 22/23, and 11 in FY 23/24. These comprise a mix of stepped rents, RPI rents, and open market reviews.

Where a decision is taken to dispose of an investment asset, this may have a short term adverse impact on income receivable, until the disposal proceeds are re-invested. In the medium to long term, reinvestment will be targeted to improve the Estate's longer term income profile.

A review of Investment Estate practices is underway and to be completed by February 2023 to accord with the Chartered Institute of Public Finance and Accountancy (CIPFA) requirements and guidance.

On occasion investment estate property is required to support the Council's wider property and operational objectives. For example, the former Tennis Centre at Ocean Park is required to enable the delivery of a compliant new Willows High School. As such, the commercial model for the centre will need to be realigned as part of the work to bring forward the new high school.

The Council has successfully acquired the leasehold interest in five public houses that were formally owned and operated by Brains across the city. The Council already owned the freehold interest in the land these buildings occupied and therefore has now established an unfettered freehold reversion through the acquisition of the leasehold interests.

Brains were not able to operate the pubs commercially and following a review of their business, had sub-let the pubs to Marsdens on short-term flexible leases. Marsdens were also not prepared to take on long-term leases. The Council will therefore review the options for each site with a view to establishing a viable income (capital or revenue) back into the Investment Estate.

Non-Operational Estate

The Corporate Property Strategy 2021-26 detailed the results of a review of the non-operational estate. This review provided a better understanding of the assets within the portfolio and their performance. A number of key themes were identified from the review.

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

These issues are now being addressed through a revised and more proactive management approach and further recourse to ensure improved performance of the non-operational estate.

The Council's retail parades were declared surplus to Council requirement through the 2018/19 APP. As a result, a programme has been set to undertake the relevant tenancy management, ensure any long leaseholders continue to have a mortgageable asset and undertake the necessary due diligence to bring forward the parades for disposal.

In total four retail parades have been disposed of to date and a further 4 are being prepared as part of this year's APP. The capital receipts are ringfenced to the general fund.

In addition to the retail parades, further assets have been assessed and declared surplus to Council requirements. The majority of the assets are let on commercial terms and disposal gives rise to a permanent loss of income to the Council's budgets.

5.1 APP 22/23 Targets

The Corporate Property Strategy 2021-26 identified five performance targets to be achieved by the end of the strategy. Each year the APP determines targets to be achieved annually that then contribute to the strategy target. The 2022/23 targets are as below:

| | Carbon reduction | Priority 1 works commissioned | Running Cost reduction | General Fund Capital Receipts | Investment estate target |
|--------|----------------------------------|-------------------------------|------------------------|-------------------------------|----------------------------|
| Target | Maintain current position | 100% | £100k | £5.5m | n/a (5 year target) |

Table 5. Annual Property Plan targets 2022/23

5.2 Proposed APP programme of transactions 22/23

| Operational Property Transactions | | | |
|--------------------------------------|------------|----------|-------------------------------------|
| Property | Ward | Tenure | Action / Status |
| St Mellons Housing site (Linc Cymru) | Trowbridge | Freehold | SOLD |
| Canton & Riverside Community Centre | Riverside | Freehold | Transfer to Housing Revenue Account |
| Wyndham Street Car park (part) | Riverside | Freehold | SELL |
| Old Library | Cathays | Freehold | LEASE |
| Former Museum Avenue PC's | Cathays | Freehold | LEASE |
| Heath Park Changing Rooms | Heath | Freehold | LEASE |
| Heath Park bungalow | Heath | Freehold | LEASE |
| Heath Park Hut | Heath | Freehold | LEASE |
| Llandaff CIW Caretakers House | Llandaff | Freehold | LEASE |
| Land at the Graving Docks | Butetown | Freehold | LEASE |
| Land at Landsea Gardens | Butetown | Freehold | LEASE |

| | | | |
|--|----------------|----------|-------|
| Roath Park House | Plasnewydd | Freehold | LEASE |
| Roath Park Pavilion | Plasnewydd | Freehold | LEASE |
| Land at Bessemer Close, adjacent to HWRC | Grangetown | Freehold | LEASE |
| Llanedeyrn Sports Hall, adjacent St Teilos land disposal | Pentwyn | Freehold | LEASE |
| Ton yr Ywen / Maes y Coed Changing Rooms | Heath | Freehold | LEASE |
| 3G pitch at Canal Park land | Butetown | Freehold | LEASE |
| Land at Morganstown Changing Rooms | Radyr | Freehold | LEASE |
| Pitches at Fitzalan School | Canton | Freehold | LEASE |
| Former Riverside Changing Rooms | Llanrumney | Freehold | LEASE |
| Former Llandaff Fields Bowling Pavilion & changing rooms | Riverside | Freehold | LEASE |
| Land at Hailey Park for pumping station | Llandaff North | Freehold | LEASE |
| Land at Llanrumney Hall for MUGA | Llanrumney | Freehold | LEASE |
| Extension at former Fairwater Changing Rooms | Fairwater | Freehold | LEASE |
| Land to rear of Llanishen Leisure Centre | Llanishen | Freehold | LEASE |
| Western Control Centre cold war bunker (| Llandaff | Freehold | LEASE |
| Dispenser Gardens Rangers Hut | Riverside | Freehold | LEASE |
| Plasturton Gardens Rangers Hut | Riverside | Freehold | LEASE |

| School Organisational Planning | | | |
|---|-----------|----------|-------------------------------------|
| Property | Ward | Tenure | Action / Status |
| Former Llanedeyrn Family Centre & St Teilo's Land | Pentwyn | Freehold | Transfer to Housing Revenue Account |
| Coed Glas caretakers house | Llanishen | Freehold | Transfer to Housing Revenue Account |
| Part Former Glan Morfa school site | Splott | Freehold | Transfer to Housing Revenue Account |

| Land Disposals | | | |
|---------------------------------------|----------------------|----------|-----------------|
| Property | Ward | Tenure | Action / Status |
| Land at Rhydlafar Drive | Pentyrch / St Fagans | Freehold | SELL |
| Land at Coed Ceiros | Rhiwbina | Freehold | SELL |
| Land adjacent to Aldi, Treseder Way | Caerau | Freehold | SELL |
| Land adjacent to Beechley Drive shops | Fairwater | Freehold | SELL |

| Retail Parade and Non-Operational Disposals | | | |
|--|------------|----------|-----------------|
| Property | Ward | Tenure | Action / Status |
| Paddlesteamer | Butetown | Freehold | SOLD |
| Heol Trenewydd Retail Parade 6-14 | Caerau | Freehold | SELL |
| Grand Avenue Retail Parade 61 | Ely | Freehold | SELL |
| Grand Avenue Retail Parade 71 | Ely | Freehold | SELL |
| Grand Avenue Retail Parade 73 | Ely | Freehold | SELL |
| Grand Avenue Retail Parade 79 | Ely | Freehold | SELL |
| Grand Avenue Retail Parade 81 | Ely | Freehold | SELL |
| Burnham Avenue Retail Parade 183-191 | Llanrumney | Freehold | SELL |
| Harris Avenue Retail Parade 85-87 | Rumney | Freehold | SELL |
| Pwllmelin Road 171A | Fairwater | Freehold | SELL |
| Pwllmelin Road 173 | Fairwater | Freehold | SELL |
| 58 - 68 Plasmawr Road | Fairwater | Freehold | SELL |

| Investment Estate Transactions | | | |
|-------------------------------------|----------|----------|-------------------------|
| Merchant and Cory's Buildings | Butetown | Freehold | Sale contract exchanged |
| Westgate Street NCP car park | Cathays | Freehold | Disposal |
| Unit 14 Ipswich Road (Greenfrog) | Penylan | Freehold | Option to lease |

Table 6. Annual Property Plan – transaction programme 2022/23