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**Annual Property Plan 2023-24**

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**Reason for the Report**

1. To facilitate pre-decision scrutiny of the Council's Annual Property Plan 2023-24.

**Structure of the Papers**

2. To assist Members' preparation for the scrutiny, attached to this cover report are the papers to be considered by Cabinet on 13 July 2023.

**Appendix A:** Cabinet report – Annual Property Plan 2023/24

**Appendix 1:** Annual Property Plan 2023/24 transactions list

**Appendix 2:** Annual Property Plan 2023/24

**Background**

3. This Committee is responsible for scrutiny of the Council's property estate, both 'operational' from which the Council delivers its services, and 'non-operational' which is often let for commercial return or to promote local employment, small businesses, and the economic regeneration of local areas. The Council's operational and non-operational estates fall within the Investment and Development Cabinet Portfolio and the Economic Development Directorate.
4. In December 2021, the Council adopted a 5-year Corporate Property Strategy (2021-2026). The Strategy provides the framework within which the corporate property function manages the Council's estate, setting out 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.

5. The Annual Property Plan is the implementation plan that sits behind the Corporate Property Strategy and each year its targets support the five-year targets set out in the Strategy. This is the second Annual Property Plan 2023/24 of the current Corporate Property Strategy 2021 -2026.
6. The policy framework for the Property Strategy is built on five key objectives.
  - **Corporate approach;**
  - **Strategic direction;**
  - **Modernisation of the retained estate;**
  - **Property Performance Targets;**
  - **Partnership Working.**

### **The Annual Property Plan**

7. The key elements of the Annual Property Plan are set out in the Cabinet report at **Appendix A** at *points 7 -18*. The property estate is core to many central Council challenges, and as such the Annual Property Plan addresses Hybrid Working, Regeneration, Housing, the Schools Organisation Plan, a Depots Review and Land Assets.
8. The report sets out a summary of performance against the 2022/23 targets. Notably, a 2% reduction in carbon; 100% of Priority 1 works commissioned; an £88k reduction in running costs against a £100k target; and £3.12m of General Fund Capital Receipts against a target of £5.5m. The Cabinet report states, '*Some transactional delays and revised project timescales have resulted in selected transactions being moved to 2023/24. The proposed property targets will still be achieved, however over a longer timescale than first projected.*'
9. The new targets proposed for 2023/24 are:
  - a. **Carbon Reduction** – Maintain Current position
  - b. **Priority 1 works commissioned** – 100%
  - c. **Running cost reduction** - £1.6m
  - d. **General Fund Capital Receipts** - £3m

10. Details of the Council's approach to reducing the carbon footprint of the Council's built environment can be found at *points 22-30*. In line with the One Planet Cardiff Strategy, the target in the Property Strategy is 30% reduction by 2026. The aim is to achieve this through modernisation of the estate, behaviour change, passive decarbonisation of the grid and rationalisation of property.

11. Priority 1 works relate to modernisation of the estate and describe the planned investment, repair and improvement of the council's corporate and education properties. The Property Strategy sets a target of ensuring all priority 1 works identified are commissioned on an annual basis through a planned works programme. This was achieved in 2022/23 with c.£31m works commissioned in total, £2m in the corporate estate and £29m in the schools estate. Notably:

- The draft programme in 2023/24 has a provisional total works value of £37m.
- Post COVID-19, the cost of construction has increased. In 2022/23 there was a 60% increase in materials such as cement, timber and steel compared with pre-Covid prices.
- Non-planned reactive works are still required on a regular basis.
- Water leaks and drainage issues resulting from end-of-life infrastructure, particularly in the Education estate, are becoming an increasing priority.
- In 2023/24 County Estates will work with Finance colleagues to reaffirm the spend criteria for the asset renewal budget and the principle that capital works relate to improvement and day to day maintenance and repair is undertaken using property revenue budgets.

12. Running Cost reduction through relinquishment - the Property Strategy identifies a £6m reduction target over 5 years 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.

Notably:

- The cost of energy has risen significantly over the last 18 to 24 months. Cardiff Council is part of a UK wide consortium via Crown Commercial Services (CCS) which includes all other public sector bodies.
- 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 Council has acquired a number of property assets which are managed until occupied or developed, often whilst remaining vacant.
- A dedicated resource has been created within County Estates to coordinate management of vacant property and protect these assets on a day-to-day basis.

13. Capital Receipts from the disposal or appropriation of general fund land and property is critical to support the Council's Capital Programme. A 5-year target of £40m was established in 2018. In April 2023 c.£13m of disposals had been achieved. The Corporate Property Strategy 2021-26 set a new target of achieving £25m of capital receipts by 2025/26. In the first year 2021/22, £2.2m general fund receipts were achieved, whilst during 2022/23 a total of £3.1m were achieved. It is anticipated that general fund receipts will be close to the original target of £25m by the end of the 2021-26 strategy period, however the total Capital Receipts are not sufficient to reach the original £40m target.

14. The investment estate produces an income of c.£4.25 million which supports delivery of wider Council Services and provides a strategic land holding which may also complement operational requirements. The Property Strategy identifies a £600k net increase in rental income by 2025/26. In the first two years of the five-year strategy the income has increased by c.£202k to c.£4.28m from a commencing income of £4.08m in 2020/21.

15. Non-Operational Estate - in 2022/23 new staffing resources were acquired to ensure a proactive approach to case work and management of new leases generated from surplus operational assets. Retail parades and other non-operational assets sit in the non-operational portfolio and further sales are included in the 2023/24 Annual Property Plan. As retail parade disposals lead to a loss of revenue when sold the financial impact of this needs to be managed in the context of the Council's budget process.

16. In addition to setting out the proposed property transactions for the forthcoming year, the Annual Property Plan provides an update on progress towards meeting the 5-

year performance target commitments in the Corporate Property Strategy. The Council's property estate has not historically been managed on a full life-cycle cost basis. As such, the Council has built up a significant maintenance backlog that is not provided for in the Council's Capital Programme. Allocated revenue and capital budgets for maintenance are not sufficient to meet the full list of priority works and therefore priority is given to ensuring the Council's assets remain Health & Safety compliant.

17. The full Annual Property Plan is attached at **Appendix 2** and includes the proposed programme of transactions (Appendix 1) for 2022/23, listed by:

- Operational Property Transactions
- School Organisational Planning
- Land Disposals
- Retail Parade and Non-Operational Disposals
- Investment Estate Transactions

### **Scope of the Scrutiny**

18. The Committee has an opportunity to test the ambition and targets set out in the Annual Property Plan 2023-24 and the contribution they make to the 5-year Corporate Property Strategy 2021-26. Members are invited to test the strength of the links between the Strategy and the Plan.

### **Previous Scrutiny**

19. The Committee previously monitored the Annual Property Plan in September 2022, during which Members highlighted

- **Real term revenue growth** - The Committee felt it will be important to understand the real term revenue growth target required to maintain the value of the Council's property portfolio and potentially grow its value.
- **County Hall** -The Corporate Property Strategy 2021-26 states that the capital value of County Hall is £25m. Officers indicated that this was based on a previous residential valuation and would be reviewed and updated as alternative core office project plans were developed.

- **Property disposal protocols** - Members established there are protocols in place for the disposal of land and property surplus to the council's requirements for service delivery, and that only when a property has been the subject of conversations with all service areas and partner bodies is it disposed of via auction or on the open market.
- **Leisure centres** - The Committee clarified that where there were property implications following a forthcoming review of leisure centres it would be a matter for this Committee, and in all other operational service delivery respects leisure services are a matter for the Economy and Culture Scrutiny Committee.
- **Carbon emissions** - The Committee was particularly interested in how the Council would ensure its One Planet Cardiff aspirations were embedded in procurement contracts. Members heard that the Council's focus would be on new build, with Fairwater School being the first carbon neutral school, and that contractors are very aware of the need to build in carbon neutral solutions.
- **Macro-economic challenges** - Members established that the Annual Property Plan 2022-23 had not taken into consideration the macro-economic challenges of inflation and interest rate rises and their impact on the property market and would be bringing forward rationalisation proposals to address the macro-economic pressures.

## Way Forward

20. The Cabinet Member for Investment & Development, Councillor Russell Goodway; Director of Economic Development, Neil Hanratty, and Assistant Director County Estates, Donna Jones, will attend to present the Annual Property Plan and to answer Members' questions.

## Legal Implications

21. The Scrutiny Committee is empowered to enquire, consider, review, and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters, there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within

the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

## **Financial Implications**

22. The Scrutiny Committee is empowered to enquire, consider, review, and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters, there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

## **RECOMMENDATION**

### **The Committee is recommended to:**

- I. Consider the Annual Property Plan 2023-24, how effectively it supports the Corporate Property Strategy 20221-26, and
- II. Agree whether any comments, concerns or observations should be relayed to the Cabinet Member for Investment & Development.

## **DAVINA FIORE**

Director of Governance and Legal Services

6 July 2023