CARDIFF COUNCIL
CYNGOR CAERDYDD

CABINET MEETING: 13 JULY 2023

ANNUAL PROPERTY PLAN 2023/24

INVESTMENT & DEVELOPMENT (COUNCILLOR RUSSELL GOODWAY)

AGENDA ITEM: 9

Reason for this Report

1. To approve the Annual Property Plan 2023/24.

Background

2. 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 ongoing opportunity to support improved efficiency and service delivery. This is particularly relevant to the delivery of new corporate objectives such as the One Planet carbon reduction targets, and implementation of the Hybrid Working model.

3. 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 support the Council's business goals and objectives. The requirement for effective land and property management is based on treating property as a corporate resource which forms the basis of the County Estates team and Corporate Landlord principles.

4. In December 2021, Cardiff Council adopted a 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.

5. The Annual Property Plan (APP) is the annual report which serves as the implementation plan for the Strategy in each relevant year. The information set out within the APP contributes towards the five-year targets set out in the Corporate Property Strategy 2021-26, reporting 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 Corporate Property Strategy.

6. An update on selected key issues relevant to the Council's property estate in 2023/24 is described below.

Issues

Hybrid Working

7. Development of the Council's Hybrid Working accommodation strategy is at an advanced stage. This is a significant workstream in the context of the Council's operational estate, particularly in regard to County Hall & City Hall (Core Office Strategy report to Cabinet on 22 June 2023), as the outcome will have an impact on the Council's future office requirements. Specific governance has been established to manage Hybrid Working and Core Office work streams.

Regeneration

8. 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 well-being initiatives. Examples include the International Sports Village and the Atlantic Wharf masterplan. These schemes are of a scale that require specific governance and individual cabinet reports. Regeneration schemes also take place on a smaller scale to deliver specific community or economic development objectives. For example, the recent regeneration of Maelfa in Pentwyn. The related land and property transactions are reported through the Annual Property Plan.

9. Given the community impact of major regeneration schemes it is important to ensure appropriate consideration is given to equality impact and future generations. County Estates work closely with service areas to ensure that all proposed transactions detailed in the APP 2023/24 (see **Appendix 1**), have been considered in regard to Equality Impact Assessments.

Housing

10. The Council's Housing targets remain a significant corporate priority. The Corporate Property Strategy established the principle that any Council owned sites declared surplus to requirements should firstly be assessed for suitability to meet Housing Revenue Account (HRA) housing objectives. This is a key element of the decision-making process when disposing of surplus land assets. From 2023/24, a defined timescale is to be proposed and agreed to allow Housing to undertake the required due diligence on sites prior to appropriation. Prompt and decisive decision making is essential as part of the Council's governance process to ensure that any costs of holding onto property are minimised. This includes maintenance liabilities, insurance obligations as well as operating costs such as security.

11. Any appropriation to the HRA, however, is required to be supported by an approved viability assessment; the site value and development cost be affordable within the HRA budget and be completed promptly to ensure the holding costs to the Council are minimised. Council capacity to implement alternative uses for sites should also be considered to ensure any new housing or regeneration benefits are delivered promptly, rather than sites remaining vacant for some time.

12. The appropriation of general fund sites to the HRA has made up a significant proportion of the annual capital receipt targets in previous years. As new housing programmes are developed, it is anticipated further appropriations will be required to ensure an adequate supply of suitable sites. These are reported through the APP, established corporate asset management governance and within specific HRA governance.

School Organisation Programme (SOP)

13. Implementation of the Sustainable Communities for Learning Band B Programme is ongoing. The replacement Fitzalan High School on Leckwith Road is nearing completion and handover, 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, with demolition now underway.

14. The SOP strategic plan establishes principles for decision making and priorities. As there is limited land available within the Council's estate, there may be a requirement for further acquisitions and disposals to support future projects, working with Welsh Government to support funding and affordability of any options to be considered. The Additional Learning Needs (ALN) provision is a key objective in 2023/24 and any transactions relating to this or any other scheme will be reported through Cabinet and also outlined in the Annual Property Plan in future years.

Depots Review

15. A review of the Council's depot estate will commence in 2023/24. The review will align with the key themes of the Corporate Property Strategy, taking into consideration carbon impact, revenue requirement, impact on planned and routine maintenance, service needs and historic maintenance liabilities, capital requirements. It will also consider the added dynamic of any EV fleet / vehicle charging requirements and align with the imminent Cabinet report on the Fleet Strategy in Q3 of 2023/24.

Land

16. The Council's 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 the most appropriate future use. This includes potential alternative operational uses 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.

17. 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.

18. Finally, the Council has a capital receipts target to support the capital programme. Consideration will be given to the delivery of each requirement for land and any recommendations will be made on a case-by-case basis.

APP Targets

19. 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 contribute to the overall strategy target.

<u>2022/23 – end of year summary</u>

20. Table 1 shows the APP 2022/23 performance. The Annual Property Plan is a dynamic process and the annual transaction list is subject to change throughout the year. A variety of factors will influence the timescale and progress of property projects, such as market forces, changing operational requirements and other external factors / decisions sometimes outside of the Council's control. 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.

	Carbon reduction	Priority 1 works commissioned	Running Cost reduction	General Fund Capital Receipts	Investment estate target
2022/23 Target	**Maintain current position**	**100%**	**£100k**	**£5.5m**	**n/a (5 year target)**
2022/23 Achieved	**-2%**	**100%**	**£88k**	**£3.12m**	**n/a**

Table 1. Annual Property Plan result 2022/23

<u>2023/24 – new targets</u>

21. Table 2 shows the targets proposed for 2023/24. These targets have been calculated from the projected impact of the transactional list detailed in Appendix 1 together with any additional transactions originally approved in APP 2022/23 and now forecast to complete in the current financial year.

The general fund capital receipts target reflects previous experience of a proportion of the full list identified in year transactions being delayed and rolled over to following years owing to factors outside of the Council's control.

	Carbon reduction	Priority 1 works commissioned	Running Cost reduction	General Fund Capital Receipts	Investment estate target
Target	**Maintain current position**	**100%**	**£1.6m**	**£3m**	**n/a (5 year target)**

Table 2. Annual Property Plan targets 2023/24

Carbon reduction in the Built Environment

22. The carbon reduction target tracks the contribution of property towards the built environment stream of the One Planet Cardiff Strategy. The Corporate Property Strategy 2021-26 set a target of reducing the carbon footprint in the Built Environment by 30% by 2025/26.

23. In 2022/23, a slight decrease in carbon emissions was observed from the previous year. This was largely attributed to the reduced use of Council properties resulting from Hybrid Working, and to the lifting of COVID-19 measures such as building ventilation etc. Significant decreases may not be seen until later years of the Corporate Property Strategy and the One Planet Cardiff Strategy due to the time required for large schemes to be devised, procured, and implemented.

24. The Corporate Property Strategy sets out the key areas of focus to permanently reduce the built environment carbon footprint including:

    - **Modernisation** of the estate through physical interventions;
    - **Behaviour change** through more efficient use of our properties;
    - **Passive decarbonisation** of the grid; and
    - **Rationalisation** of property.

25. Modernisation of the estate is the most challenging area of focus due to the resource, time, scale and complexity associated with the type of physical interventions required to make a significant reduction to carbon footprint in buildings.

26. Refit has been used previously as a means to implement such interventions, but recent modelling shows that even if an estate wide refit programme could be devised (which is very unlikely given the scale and resource required), then this would need to be complemented with other capital works outside existing budget allocations in order to meet the One Planet Cardiff carbon reduction target within the current timescale.

27. Nineteen school sites have previously benefited from Refit programmes delivering an average of 13% carbon reduction. A new Refit programme is being developed which will 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 2023/24 will be the largest

programme thus far. The aspiration is to progress a programme value of £3m in the first year, however the detail of the programme is still being developed and will be subject to a separate cabinet report later in 2023/24, setting out a business case for investment in sites.

28. A combination of rationalisation, behaviour change, passive decarbonisation and modernisation will likely result in a significant reduction to the carbon footprint of the corporate estate in the next few years. However, achieving the same degree of reduction in the schools estate is significantly more challenging given the statutory operational requirements of the service, types of properties, potential disruption, and scale and cost of the interventions required. Further work is ongoing to fully articulate the options and requirements to meet the Built Environment carbon reduction target. Further One Planet Cardiff progress updates, including Built Environment details, will be presented to Cabinet in due course.

29. The legislation on Energy Performance Certificates (EPC) changed in April 2023 and, as Landlord, the Council is required to hold an EPC for each asset and that the asset obtains a certain grade of energy performance ranging between A-G. An estate wide survey programme (operational and leased assets) is underway to ascertain the EPC rating of all properties and whether works are needed to achieve the new legal performance rating.

30. The initial EPC survey programme is proposed to be met within existing revenue budgets. Depending on the results of the surveys and the requirement for works, additional capital budget may be required in excess of existing asset renewal allocations in order to comply with this evolving new legislation. Future asset renewal priority allocation will be required to consider these works in future years. Survey results are expected to be returned in Q3/Q4 of 2023/24.

Priority 1 works

31. Modernisation of the estate describes the planned investment, repair and improvement of the councils corporate and education properties. The Corporate 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 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.

32. The draft programme in 2023/24 has a provisional total works value of £37m, split £2m corporate and £35m education. This programme is still in development and subject to affordability, grant allocation and contractor availability. The programme is comprised of works identified through condition and compliance surveys. A key piece of ongoing work relates to the alignment of planned capital works (asset renewal) with carbon reduction modernisation 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.

33. In recent years following COVID-19, the cost of construction has increased across the UK considerably. In 2022/23 an increase of up to 60% for materials such as cement, timber and steel compared to pre-Covid levels was observed. Further analysis of the current market conditions indicate that construction costs will remain close to this increased state through 2023/24. This also impacts revenue maintenance costs and statutory compliance related works. Further work is underway to fully understand this increase in the context of annual asset renewal and revenue maintenance budget allocation.

34. Despite the significant recent investment in essential repairs, risks and challenges remain due to the age of the estate. Regular non-planned reactive works are still required on a regular basis, some of which are significant. Examples include Cathays Library, Mansion House, Albany Primary School, Marlborough Primary School and Roath Park Primary School, Tremorfa Nursery structural works; Gwaelod Y Garth demountables and various stonework related issues.

35. In recent years, surveys and practical works have revealed that water leaks and drainage issues resulting from end-of-life infrastructure, particularly in the Education estate, are becoming an increasing priority within asset works programmes. As these are emerging issues undergoing further investigation, they may result in the need for further works outside currently allocated capital and revenue repair budgets.

36. 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. It is acknowledged that this approach is highly likely to require a realignment or increase to existing revenue budgets, particularly if considering an alignment between budget allocation and UK construction cost increases. Examples include minor improvement works such as small scale roof repairs, drain and gutter clearances etc that, if left unattended, lead to larger capital repairs in the future.

Running cost reduction through relinquishment

37. The Corporate Property Strategy 2021-26 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.

38. 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 purchases the Council’s power and gas on the market over a set period of time. The Council has large economies of scale to support achieving the very best prices on the market and negate as much risk as possible. As such, the

Council has been protected from the widely publicised energy spikes, with the increases not filtering through until April 2023.

39. 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 presiding sentiment is that the current financial year will be the highest in terms of cost with gas and electricity unit prices doubling in some instances. It is anticipated that although prices will not go back down to historic levels (pre-COVID), trend analysis shows a softening of the market from 2024. The market is expected to remain high until at least 2030.

40. The Council has acquired a number of property assets for various service areas to deliver Council services which are managed until occupied or developed, often whilst remaining vacant. The Council also holds assets that have been declared surplus or are going through a consultation process. The holding costs need to be identified at an early stage and managed in conjunction with the relevant service teams and supporting financial advice. Additionally, a dedicated resource has been created within County Estates to adequately coordinate management of vacant property and protect these assets on a day-to-day basis. It is important this is supported through the property decision making process, to ensure holding costs and liabilities can be minimised and the responsibility for such costs are clearly identified.

<u>Capital Receipts</u>

41. Capital receipts from the disposal or appropriation of general fund land and property is critical to support the Council's capital programme. An original target of £40m was established in 2018 to be delivered over the following five years, made up of £25m of general disposals and £15m of SOP disposals. That original timeline would have ended in April 2023, at which point c.£13m of disposals had been made, the vast majority of which were made up of non-SOP related disposals.

42. Owing to the Covid related disruption and delays to the delivery of SOP related land, at the time of the approval of the Corporate Property Strategy 2021-26, the progress was reviewed and a new target of achieving £25m of capital receipts by 2025/26 was established during the five-year period of the Strategy. In the first relevant year 2021/22, £2.2m general fund receipts were achieved, whilst during 2022/23 a total of £3.1m was achieved.

43. In some instances, all or part of capital receipts received from selected disposals is ringfenced to deliver project specific investments. For example, the former Glan Morfa school site will now be appropriated to the HRA in 2023/24, as well as land at the former Llanedeyrn Family Centre and St Teilo's School, with the capital receipt captured to include provision for ring-fenced sums for new school pitches and other relevant community proposals.

44. Whilst it is currently anticipated that general fund receipts will be close to the original target original anticipated total of £25m by the end of the 2021-

26 strategy period, it is noted that the total Capital Receipts sums being raised are not currently sufficient to reach the original £40m target.

45. Other Council policies and objectives developed since 2018, such as Coed Caerdydd and the Greening agenda, have also had a bearing on the ability to sell land originally considered suitable for sale into the private sector.

Investment Estate

46. The Investment Estates currently 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.

47. The Corporate 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 generally infrequent nature of significant transactions in the portfolio. However, it is managed through established governance process, and it is noted that 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.

48. The Red Dragon Centre is managed on a standalone basis and is subject to separate governance linked to the arena masterplan. Since the site was acquired, the Centre has been managed by the Council's retained asset manager Savills, in conjunction with input from specialist letting agents, as well as in liaison with the Estates and Major Projects teams. Regular monitoring and income reporting is in place with the Council's Estates and Finance teams.

49. Recent regulations and activity across the UK have aimed to control any investment primarily for yield. 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.

50. 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 sustain and improve the Estate's longer term income profile.

51. A draft report "Investment Management Practices 2023/2024" has been completed which identifies/adopts the relevant principles and practices required in Investment Property activities to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice (2021). This aims to set out the principal risks of managing the investment property estate, how they are mitigated, decision making, governance, reporting of past performance and risks to future income of the estate, capacity and skills. It is a key requirement of the CIPFA code that such practices are developed, embedded in processes and reviewed regularly to ensure up to date. These practices are to be considered via the Asset Management governance process.

52. The report will maintain a risk register to recognise and alleviate some of the principal risks associated with Investment Property activities. The Risk Register is to be reviewed through the Investment Estate Working Group which meets monthly.

53. Staff engaged in Investment Property activities will be made aware of this document and the rules relating to their responsibilities. All staff engaged in Investment Property activities must observe the instructions and recommendations stated in the document.

54. The Council has successfully acquired the leasehold interests in four public houses that were formally owned and operated by Brains across the city. The Council already owned the freehold interest in these properties and therefore now has the unencumbered freeholds to consider for disposal on a case-by-case basis. A number of these properties are being brought forward for disposal in 2023/24 as per programme list.

Non-Operational Estate

55. In 2022/23, the Non-Operational Estate benefitted from the recruitment of new staffing resources to meet the management requirements identified in the APP 2022/23. This resource has been used to ensure a proactive approach to case work and management of new leases generated from surplus operational assets.

56. The retail parades sit in the non–operational portfolio and disposal of parades has contributed towards the capital receipt target in previous years. Further retail parade sales are included in the APP 2023/24 and the intention is to sell these via auction throughout the year. As retail parade disposals lead to a loss of revenue when sold, the impact of this loss of income will need to be considered when bringing forward future retail parade disposals.

57. In addition to the retail parades, other selected non-operational assets have been assessed and declared surplus to Council requirements. Some of these assets are let on commercial terms and, therefore, disposal gives rise to a permanent loss of income. The financial impact of this needs to be managed in the context of the Council's budget process.

Budgets

58. 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, over the years, the Council has built up a significant maintenance backlog that is not provided for in the Council's capital programme. This situation is exacerbated by the current requirement to reduce the Council's carbon footprint.

59. The Annual Property Plan therefore seeks to retain assets with the lowest maintenance/carbon liability, and to dispose of assets with the highest liability where that is possible. 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.

60. Any investment required that falls outside of allocated revenue and capital budgets needs to be brought forward through the Council's established property governance arrangements on a case-by-case basis subject to Cabinet approval as required.

Local Member Consultation

61. Member engagement will take place through the implementation of the plan.

Reasons for Recommendations

62. To enable Cabinet to approve the Annual Property Plan 2023/24.

Financial Implications

63. The successful delivery of outcomes in this property plan should both be aligned with the Capital Programme approved in March 2023 and provide assurance that the appropriate level of funding is available. The Annual Property Plan also needs to be underpinned by an effective and robust governance and assurance framework that delivers clear and measurable results through informed and prompt decision making.

64. The report raises a number of areas where there are potential adverse financial implications. This includes:

- the backlog of repairs and maintenance to property
- the holding costs of property purchased or deemed surplus to requirements awaiting a confirmed way forward on future approach
- the impact of new Energy performance regulations on the investment estate
- the income lost when properties which generate income to support the existing budget are sold to generate a capital receipt
- increasing costs of construction, day to day repairs and compliance impacting on existing revenue and capital budgets and the sustainability of the existing property estate.

65. It is essential any commitments arising from the overall property strategy, this annual plan and individual property transactions are identified as part of options appraisals for properties. The historic backlog of repairs and maintenance of properties makes such option appraisals essential in any, buy, retain, rationalise or dispose of decision making. The Annual Property Plan acknowledges in paragraph 59 that current budgets are not sufficient to meet the pressures in all areas, but it should be noted that if such pressures exist and are intended to be considered along with other competing priorities, they need to clearly demonstrated, prioritised, be

affordable and aligned to the budget framework so that risks and any mitigating actions and alternative funding sources can be considered.

66. Any costs charged as capital should ensure a budget is in place, the impact on wider planned programme is considered and also that such costs meet the eligibility to defined as capital expenditure (e.g. being a significant enhancement). To do otherwise would make the capital budgets already approved and the borrowing that underpins them unsustainable.

67. In respect of the Council's One Planet Strategy and decarbonisation targets, several initiatives such as refit, behaviour change, passive decarbonisation of the grid and rationalisation of property are considered to contribute to future changes to the carbon footprint for the Authority. Any plans and programmes which develop from these initiatives will need part of an overall agreed strategy rather than a piecemeal approach and be supported by robust business cases which clearly identify the funding source and provide assurance that they remain affordable within the Council's overall financial position. It is suggested that a future cabinet report will consider the overall strategy and how schemes such as REFIT fit in to that overall strategy and the financial implications, achievability and deliverability of commitments in respect to decarbonisation and energy efficiency.

68. Where the report refers to schemes such as Atlantic Wharf Masterplan, Core Office Strategy, International Sports Village etc, the financial implications of such strategies are considered by those specific Cabinet reports so are not repeated here. Specific property proposals may often be the subject of specific Cabinet reports (e.g. Pentwyn Leisure Centre and St David's Hall), with specific financial implications included in those proposals.

69. The appendix to this report highlights a list of known property transactions that may be undertaken during the year. Each such transaction will need to be considered as part of this existing governance and due diligence process as set out in the constitution. This will be dependent of factors such as value, ownership, viability assessments, where the proceeds are requested to be earmarked for an alternative approved purpose etc.

70. The report provides an update on the target for non-earmarked capital receipts set in 2018/19 and now extended to 2025/26. Capital receipts from the disposal or appropriation of General Fund land and property are intended to support the Council's capital programme. The report identifies that the target for 2023/24 is £3m. Where capital expenditure is undertaken on the basis of future receipts, this represents a risk to increasing the level of the Council's borrowing.

71. Lost income from sites to be disposed of towards capital receipts targets that are not part of the investment property estate will have an impact on the property budget and will need to be managed within the existing budget or as part of the increased income target. Where such sites are to be disposed of, there needs to be a clear rationale for disposal as part of the Council's governance processes including consideration of yield lost and the extent of any liability inherent in the asset which forms the rationale for disposal.

72. Where proposals are reliant on the generation of earmarked receipts, there is a risk to the budget framework and unplanned increases to the level of borrowing if such receipts are not realised in terms of value and timing. Where additional sites are acquired to meet strategic aims, the holding costs and VAT implications should be a key financial consideration of the business case development at an early stage.

73. Where properties are the subject of lease agreements, monitoring and enforcement of tenants' obligations to repair should be taken to ensure liabilities do not fall back on the Council. In the event of liabilities being accepted (after a robust options appraisal) then these will need to be managed within existing resources and prioritised with other commitments. Where any new Community leases are proposed to be approved, these should be supported by a robust business case including consideration of sustainability of any entity to manage and operate that asset.

74. Where the Council has entered into lease agreements for its use of properties or land, regular review of the use of such properties needs to be undertaken to ensure decisions can be made in advance of any options periods identified in the lease. Any such options appraisal will need to include any dilapidations payable as well as the benefits in terms of savings in expenditure where the property can be relinquished. Where there are such leased properties, provisions should be created for future lease costs such as dilapidations as part of the continued use of such sites.

75. The report identifies that Investment Estate Practices to accord with CIPFA regulatory requirements and guidance have been developed. Such practices are in place to ensure that risks, reporting of performance (past and future), capacity, skills and governance process is in place to manage such assets. Such practices should be embedded as part of existing processes and updated at least annually in line with the requirements.

76. An additional income target of £600,000 for investment property has been set as part of the budget by 2025/26 through completion of outstanding leases, regearing of leases and relets at higher commercial market rents. This target will need to be tested and continually reviewed to ensure it is at an achievable level and is not based on the acquisition of new commercial investment solely for yield.

77. The annual property plan update sets out the income from the existing property estate. In order to ensure that the council complies with reporting requirements set by CIPFA Codes of Practice for all such income generating assets and consideration of any potential impacts on financial resilience, the approach to governance and performance reporting should be tested and clearly identified.

Legal Implications

78. This report highlights property transaction proposed by the Council for the forthcoming year. It is expected that prior to entering into any transactions, a specific decision on that transaction will be made in accordance with the

Council's decision-making processes according to the relevant values, upon which specific legal advice can be provided on the proposed terms.

79. The Council has an obligation to ensure value for money in its management, acquisition and disposal of land and property as public assets. The Council's Acquisition and Disposal of Property Procedure Rules in Part 4 of the Council's Constitution sets out the matters to be considered with reference to Property transactions.

Equalities & Welsh Language

80. In considering this matter the decision maker must have regard to the Council's duties under the Equality Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties Councils must, in making decisions, have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. Protected characteristics are: (a) Age,(b) Gender reassignment, (c) Sex, (d) Race – including ethnic or national origin, colour or nationality, (e) Disability, (f) Pregnancy and maternity, (g) Marriage and civil partnership, (h) Sexual orientation (i) Religion or belief –including lack of belief.

81. When taking strategic decisions, the Council also has a statutory duty to have due regard to the need to reduce inequalities of outcome resulting from socio-economic disadvantage ('the Socio-Economic Duty' imposed under section 1 of the Equality Act 2010). In considering this, the Council must take into account the statutory guidance issued by the Welsh Ministers (WG42004 A More Equal Wales The Socio-economic Duty Equality Act 2010 (gov.wales) and must be able to demonstrate how it has discharged its duty.

82. An Equalities Impact Assessment aims to identify the equalities implications of the proposed decision, including inequalities arising from socio-economic disadvantage, and due regard should be given to the outcomes of an Equalities Impact Assessment. The decision maker should be mindful of the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards.

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

83. The Well-being of Future Generations (Wales) Act 2015 ('the Act') places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales – a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible. In discharging its duties under the Act, the Council has set and published well-being objectives designed to maximise its contribution to achieving the national well-being goals. The well-being objectives are set out in Cardiff's Corporate Plan 2023-26.

84. When exercising its functions, the Council is required to take all reasonable steps to meet its well-being objectives. This means that the decision makers should consider how the proposed decision will contribute towards

meeting the wellbeing objectives and must be satisfied that all reasonable steps have been taken to meet those objectives.

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

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

86. The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible online using the link below:

http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en

HR Implications

87. The report refers to the Cabinet report on Core Office Strategy (22 June 2023), which outlined that far less office space will be required in the future following the adoption of the Hybrid Working Model framework. The human resources implications of this strategy were considered in the Cabinet report so are not repeated here.

88. Following the publication of the Workforce Strategy for the period 2023-2027, it is acknowledged that the Hybrid Working Model will continue to operate where it meets organisational needs.

89. The Council as a major employer within Cardiff and the wider region wishes to attract, retain and develop the best talent. To remain competitive in a fast-changing labour market, the Council is currently developing a Hybrid Working Policy which may result in employment contractual developments.

90. Trade unions will be consulted on the draft Hybrid Working Policy.

Property Implications

91. All property considerations are described in the report.

RECOMMENDATIONS

Cabinet is recommended to:

i) Approve the Annual Property Plan 2023/24 Transactions List (Appendix 1) and Annual Property Plan 2023/24 (Appendix 2).

ii) Note the potential revenue and capital investment requirements needed to ensure ongoing compliance in existing areas and also in respect of emerging legislation, such as works relating to Energy Performance Certificates.

SENIOR RESPONSIBLE OFFICER	**Neil Hanratty** Director of Economic Development
	7 July 2023

The following appendices are attached:

Appendix 1: Annual Property Plan 2023/24 Transactions List

Appendix 2: Annual Property Plan 2023/24