
Review of the Non-Operational Investment Property Estate

Reason for the Report

1. To provide the Committee with an opportunity to consider the Council's proposed strategy for managing its non-operational property portfolio, and provide its views to the Council Leader and officers prior to consideration of a proposed Non Operational Property Strategy by Cabinet on 12 November 2015.

Background

2. The Committee has had a longstanding interest in the management of the Council's estate, which comprises both 'operational' property (from which the Council operates and delivers services), and 'non-operational' or 'investment' property (which is often let for commercial return or to promote local employment, small businesses and the economic regeneration of local areas).
3. The Cabinet Report attached at **Appendix A** sets out the diversity of the Council's 600 non-operational estate properties, and explains the current and proposed management and governance arrangements for their retention, maintenance or disposal, based on an independent review undertaken by commercial property consultancy Jones Lang LaSalle (JLL) in January 2015.
4. The Cabinet report outlines issues that need to be resolved. These include:
 - a current lack of defined governance for management of the Council's non-operational estate;

- maintenance expenditure not undertaken on a structured basis, with the portfolio maintenance backlog estimated at £2m; and
 - some properties are currently held by Directorates and utilised to support revenue budgets.
5. Proposals to address these issues can be found on page 3 of **Appendix A** (points 11-18). The Cabinet is being asked to recommend:
- that all income generating properties and associated budgets are held corporately;
 - establishment of an Investment Estate;
 - governance of the Investment Estate to be administered by a new Investment Board consisting of officers from Strategic Estates, Legal, and Finance, advised by a commercial agent; and
 - delegated officer authority in consultation with the Leader, with an annual report as part of the Corporate Asset Management Plan.
6. For clarity, the papers attached to this covering report are:
- Appendix A: Cabinet Report - 12 November 2015, Review of the Non Operational Estate**, which is itself supported by the following appendices:
- Appendix 1:** Independent Review of the Non Operational Estate;
- Appendix 2:** Investment Estate Schedule.

Previous Scrutiny

7. The Committee received a presentation of the JLL review and recommendations in January 2015. Members will find a copy of this Review document attached at **Appendix 1 of Appendix A**. The document contains an overview of the local investment property market, the planning context, a review of the Council's portfolio and suggestions towards future strategy in this area. The report provides 18 recommendations for the Council to consider, in areas spanning; the renewal of the Council's Investment Asset Strategy; categorisation of existing assets; agreement of the implementation plan; and operational management of the Estate.

8. Following the scrutiny in January 2015 the Committee wrote to the Leader requesting that Cabinet address the following concerns:

- when deciding the way forward for the Investment Portfolio, take into consideration the community and social benefit of Council property, as well as financial considerations;
- acceptance of the recommendation to sell ¹rack rent shops without giving serious thought to their benefit to the community;
- where community assets are considered for asset transfer, sound business cases should be in place, and there must be community capacity to take the buildings on;
- full consultation with Ward Members is recommended where disposals are considered; and
- Members support the recommendation that strategic sites in the city centre should be retained.

9. In addition the Committee has programmed consideration of property-related issues on several occasions, responding to the Wales Audit Office's Corporate Assessment issued in September 2014, that '*the Council is not managing its land and property assets well*'. Key messages contained within letters from the Committee to Cabinet over the past two years have included:

- the urgency with which the Council's strategy for its property estate should be addressed;
- the need for a strong rationale for the use of the estate in future;
- Members' concern regarding the estate maintenance backlog;
- that due consideration should be given to the Council's estate in terms of its potential social and community benefits, as well as to potential financial benefits from any disposals;
- the need to compare the performance of our estate to the performance of that of the Core Cities;
- the need to develop explicit performance measures for the estate;

¹Rack rent is defined as the full rent of a property including both land and improvements if it were subject to an immediate open-market rental review.

- that local Members should be involved as decisions concerning disposals develop; and
- that a medium to long-term view of the use of the estate should be taken, rather than a short-term/annual point of view.

Way Forward

10. The Council Leader Councillor Phil Bale has been invited to attend the meeting and may wish to make a statement. Neil Hanratty, Director for Economic Development, and Helen Jones, Corporate Property and Estates Manager, will be in attendance to answer Members' questions.

Legal Implications

11. 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

12. 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.

RECOMMENDATIONS

13. The Committee is recommended to:

- I. Consider the information presented in this report and at this meeting; and
- II. Decide whether it wishes to make any comments or recommendations to help shape the Non-Operational Investment Property Strategy programmed to be considered by the Cabinet on 12 November 2015.

MARIE ROSENTHAL
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28 October 2015