

REPORT TO	ON
CABINET	Wednesday, 13 November 2019



TITLE	PORTFOLIO	REPORT OF
Review of Investment Property Strategy	Cabinet Member (Finance, Property and Assets)	Assistant Director of Property and Housing

Is this report a KEY DECISION (i.e. more than £100,000 or impacting on more than 2 Borough wards?)	No
Is this report on the Statutory Cabinet Forward Plan ?	Yes
Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council?	No
Is this report confidential?	No

PURPOSE OF THE REPORT

1. To provide Cabinet with an update on the suggested approach to undertaking a strategic review of the investment property portfolio.

PORTFOLIO RECOMMENDATIONS

2. That Cabinet support a review being undertaken of the Council's commercial investment property portfolio which will assess the performance of assets, develop the asset management plan and inform the strategy for acquisitions and disposals.

REASONS FOR THE DECISION

3. It is important that the Council develops a rigorous and robust approach to managing its assets in order to ensure that returns are maximised, risks are managed and mitigated and a clear process is put in place to address any under-performing assets.

CORPORATE PRIORITIES

4. The report relates to the following corporate priorities:

Excellence, Investment and Financial Sustainability	√
Health, Wellbeing and Safety	
Place, Home and Environment	√

Projects relating to People in the Corporate Plan:

Our People and Communities	
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BACKGROUND TO THE REPORT

5. Currently there is a lack of visibility in relation to the relative performance of the asset portfolio. The estates service presently report on occupancy as part of the quarterly reporting process however there does not presently exist a clear and transparent process for understanding which assets are performing well and which assets fail to add value.
6. It is important to develop a clear strategy to protect and grow the income from the Council's asset portfolio.
7. Furthermore, as well as improving the performance of the asset portfolio it is equally important to ensure that the Council complies with its statutory and regulatory requirements and has robust systems in place to ensure that tenants comply with their responsibilities under leases and licences provided to them by the Council.
8. The review shall identify under- performing properties that are not being used to the best of their potential and shall seek to identify sites for the potential release of surplus land for alternative uses for example to support housing development or recommended for amenity use.
9. It is important that the Council charges an appropriate rent for its assets, minimises voids and ensures that all properties receive the right level of insurance.
10. In order to measure the relative performance of the assets it is recommended that an asset evaluation matrix is developed which would enable each asset to be weighted and scored against a number of bespoke criteria including location, demand, property condition, tenure, repairing terms and length of occupiers leases.
11. This would enable the service to develop a clear, holistic and evidenced based assessment of each asset which would inform future investment planning and asset acquisition and disposal strategies.
12. The outcome from the review shall be reported back to Cabinet in March 2020 and shall help to shape and inform the property investment strategy moving forward.

PROPOSALS (e.g. RATIONALE, DETAIL, FINANCIAL, PROCUREMENT)

13. This piece of work shall need to be carried out by a specialist commercial surveying organisation as the Council lacks the capacity to undertake this role. Given the need to undertake this work quickly Officers shall look to appoint from an existing framework agreement in order to meet the requirement for the asset strategy to be considered at the Cabinet meeting on 18th March 2020.
14. The Council owns a large asset base which provides an important income stream for the authority and it is essential that the capital value and income generation from the commercial asset portfolio is maximised.

CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION

15. No consultations are planned as part of this initial review. Consultation with tenants and leaseholders may be required once the strategy has been developed.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

16. The Council could choose not to undertake a review. However, it is evident that there is a pressing need for greater clarity and assurance in relation to the performance of the commercial asset portfolio and it is essential that the Council adopts a pro-active approach to managing and minimising any risks which are highlighted through the review.

FINANCIAL IMPLICATIONS

17. The review shall ensure that the council develops a much better understanding of how its commercial asset portfolio is presently performing and how it can maximise the capital value and income generated through the asset portfolio.
18. The cost will depend on the outcome of the procurement process.

LEGAL IMPLICATIONS

19. The review in itself will not have any direct legal implications however the outcome from the review and resulting strategy could have significant implications for the legal team.

AIR QUALITY IMPLICATIONS

20. It is not envisaged that there will be any air quality implications relating to the report.

HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT IMPLICATIONS

21. There are no human resource implications relating to the report.

ICT/TECHNOLOGY IMPLICATIONS

22. The review shall be undertaken by consultants who shall be instructed through the commissioning process to provide all relevant information, evidence and supporting data in such a manner that it can be easily plugged into the Council's asset management system thereby significantly enhancing the database and allowing the estates team to develop an intelligence led approach to the management and maintenance of the estate.

PROPERTY AND ASSET MANAGEMENT IMPLICATIONS

23. It is essential that the Council develops a clear strategy to protect and grow the income from its commercial investment property portfolio.
24. It is also essential that the Council has a clear and up to date understanding of compliance in relation to both landlord and tenant responsibilities as well as developing

robust systems for securing receipt of rents and dealing with voids and insurance matters;

RISK MANAGEMENT

- 25. Failure to optimise capital values and income generation from the commercial asset portfolio could lead to a significant loss of income for the Council.
- 26. It is important that the Council adopts a robust approach to managing compliance from both a landlord and tenant perspective.
- 27. The lack of a robust strategic asset management plan could lead to higher than required maintenance costs as repairs and investment are undertaken on a short term, adhoc basis rather than a more strategic and planned approach being adopted.

EQUALITY AND DIVERSITY IMPACT

- 28. Not applicable

RELEVANT DIRECTORS RECOMMENDATIONS

- 29. It is recommended that Cabinet support the approach being outlined in this report.

COMMENTS OF THE STATUTORY FINANCE OFFICER

- 30. The costs of this work is subject to a procurement process through an existing framework agreement. The budget monitoring report, a separate report on this agenda, identifies forecast savings of £515,000 in 2019/20. It is proposed that the cost of this work is funded from these savings through the virement of budget.

COMMENTS OF THE MONITORING OFFICER

- 31. There are no direct legal implications arising from this report. As officers we shall ensure that the council's Contract Procedure Rules are complied with when it comes to procuring a consultant.

Background papers to this report

Appendix A – copy of briefing note for consultants

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