

Decision Report

Committee: Property and Investments
Executive Sub-Committee
Meeting Date – 29 October 2024
Key Decision – no



Investment Property KPI Monitoring

Chair of Committee: Councillor Bill Revans - Leader of the Council
Executive Member(s): Cllr Mike Rigby - Lead Member for Economic Development, Planning & Assets
Local Member(s) and Division(s) affected: All
Executive Director: Alyn Jones - Executive Director - Resources, Strategy & Transformation

Executive Summary

1. The role of the Sub-Committee is to ensure the Council has appropriate governance arrangements in place to protect and maintain the value of the Council's non-treasury and commercial investments, and to deal with real and personal property disposals or acquisitions and other matters within the scope of the Non-Treasury Management Investment Strategy (the Strategy).
2. Performance indicators recommended for monitoring by the Sub-Committee on a quarterly basis are:
 - a. Total contracted annual income.
 - b. Void measure (vacant units) as a percentage of rent.
 - c. Rent arrears measure – debtor percentage.
 - d. Progress with property disposals – detail to be reported in confidential session at meetings.

Recommendations

3. That the Property and Investments Executive Sub-Committee:
 - a. Consider the performance indicators for the asset management of the Commercial Investment Portfolio for Q1 2024/2025 as shown in Tables 1, 2 and 3 below.
 - b. Consider the main risks to the programme set out under paragraph 13 below.

Table 1

Indicator	Measure	Q2 2024/25	Comments
Total contracted annual income	Nominal Real	£18,677,820 £16,145,391	-0.2% change -13.8% change
Voids	Vacant units as a percentage of total rental value	8.3%	Increased from 3.7% due to new voids (Christchurch and part 1 st floor 730 Aztec West)
Rent arrears		1.3%	Unchanged Arrears over 90 days as % of annual contracted rents

Table 2

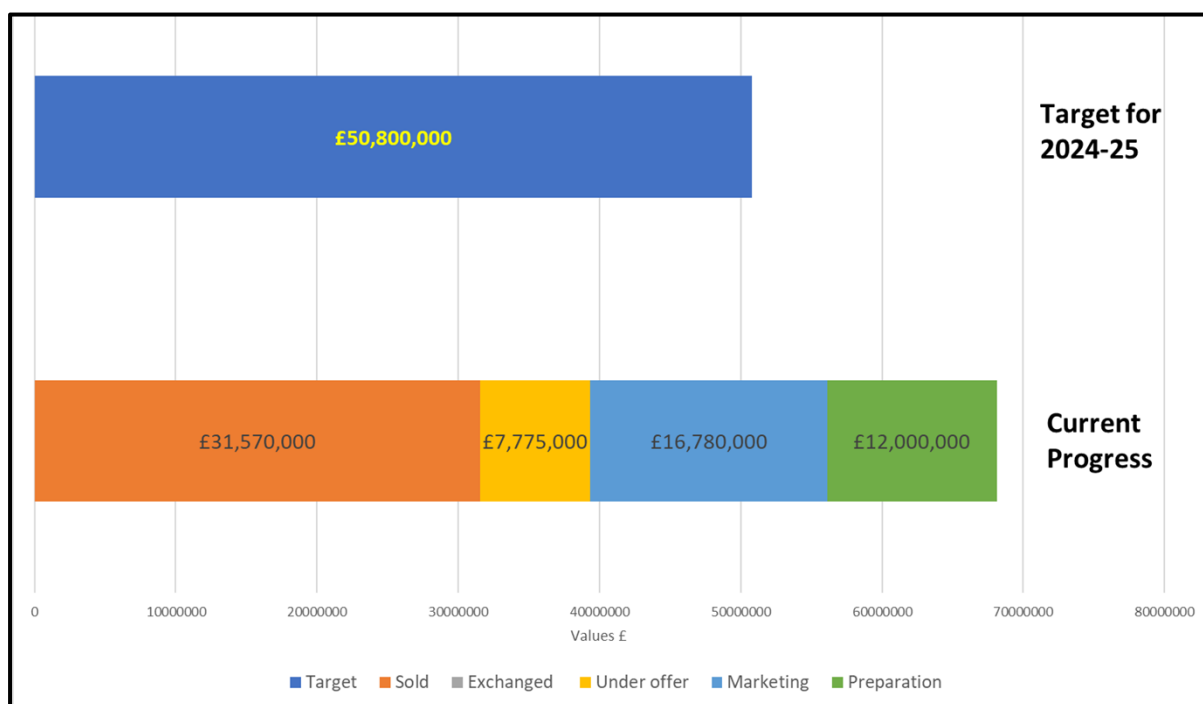
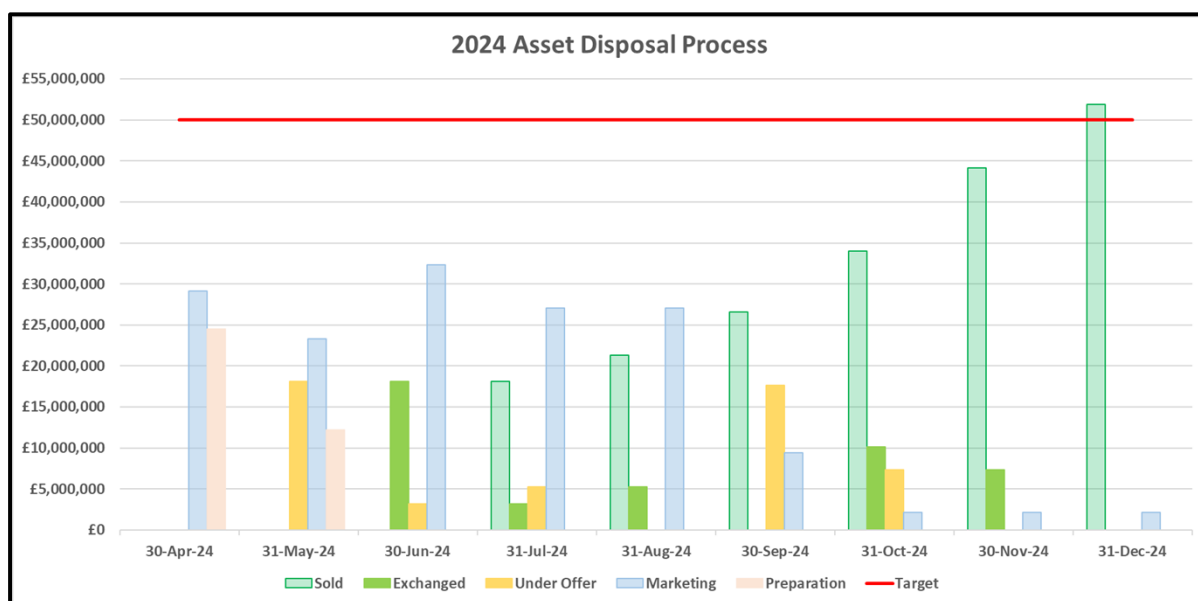


Table 3



Reasons for Proposals

- The terms of reference for this executive sub-committee include: The Sub-Committee will be responsible for establishing, maintaining and monitoring arrangements to ensure that the routine management of tenancies and licences within the Portfolio, is handled in a robust and agile manner and delegated appropriately and that adequate financial provision is made to meet the Council’s responsibilities under such tenancies and licences.
- The range performance indicators used in this report were approved by the Sub-Committee at its meeting on 21 December 2023.

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Background and purpose of report

6. The Council's Medium-Term Financial Strategy (MTFS) provides a strategic financial framework and a forward-looking approach to achieving financial sustainability and was approved by Full Council in February 2024. Various measures are in hand to address the predicted shortfall between the resources available and the cost of current service. Amongst the range of actions being taken to close the forecast budget gap for 2024/25 is that revenue spend would be capitalised in accordance with the Capitalisation Directive from DLUHC of £36.9m.
7. The Team is progressing work to consolidate rent collection and property accounting with a single external managing agent. This will allow the work to be carried out using dedicated investment property accounting systems, with property finance teams who just do this dedicated type of work. There will also be a capacity gain when disposals come on stream to optimise ability to respond to buyer requests for information, present rent history in a format widely used for investors. The resource capacity will also be important for the asset transfer stage and closing down our residual exposure. Table 1 has a comments column added which identifies the change from the previous report.

Links to Council Plan and Medium-Term Financial Plan

8. These arrangements form part of the steps being taken to deliver the Council Plan and as part of the Financial Emergency Strategy.
9. The capital receipts from asset disposals are a key component for utilising the Capitalisation Direction. The capital receipts forecast and reductions in rental income following disposals are incorporated in the MTFS.

Other options considered

10. Other key indicators that could have been recommended include total capital value of the portfolio compared with either purchase prices or previous valuation, or latest weighted average unexpired lease term (WAULT). Production of this data would consume a large amount of officer time or require the council to incur substantial fee cost to obtain the advice externally. The agreed performance indicators were acknowledged to represent the appropriate balance for robust monitoring relative to resource implications.

Key considerations for the Council

Scrutiny comments / recommendations:

11. The Task & Finish Group set up to scrutinise the plans for the disposal of the commercial investment portfolio met three times during October and November and a report of their findings was submitted to the 4th January Scrutiny Committee for Corporate & Resources. [Report of the Task and Finish Group for Commercial Investment Asset Realisation – November 2023](#).

Consultation and feedback

12. None

Financial and Risk Implications

13. The following risks have been identified for the Investment Asset Programme:

1 Officer team resources: Key officers leaving at short notice due to any circumstances, may impact programme timings and outcomes.				
Current risk score				
Likelihood	3	Impact	4	Risk Score 12
Recruitment of an additional Estate Surveyor has been completed. Expand external adviser activity and if required appoint a different internal client.				
2 Financial target timings changing: Phased sales target cannot be met so further assets needing to be sold earlier than planned				
Current risk score				
Likelihood	3	Impact	4	Risk Score 12
Carry out asset management more quickly and be ready to sell phase 2 & 3 if required				
3 Market weakening further: Reduces receipts from Property planned to be disposed of in future years				
Current risk score				
Likelihood	2	Impact	5	Risk Score 10
Consider bringing forward further early sales				
4 National and International elections affecting macroeconomic conditions: Reduced value of sales and cost of borrowing for rest of portfolio				
Current risk score				
Likelihood	3	Impact	3	Risk Score 9
Maintain awareness of macroeconomic conditions and reviewing against targets				
5 Commercially sensitive details are unintentionally made public				
Current risk score				
Likelihood	2	Impact	4	Risk Score 8

Discuss commercially sensitive details only in confidential sessions of sub-committee, attendance in-person only. Stress importance of confidentiality to attendees.

6 Council governance mechanics: Decision process holding up sales

Current risk score

Likelihood	2	Impact	3	Risk Score	6
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Gaining prior approval to phased sales over a certain price without further key decision reports being needed. Planning executed deeds in advance to ensure prompt execution.

Legal and Procurement Implications

- 14. There are no immediate Legal implications beyond the professional activities required when transacting on lease revision matters or disposals and acquisitions.

HR / Workforce Implications

- 15. There are no HR implications.

Equalities Implications

- 16. There are no direct equalities implications.

Community Safety Implications

- 17. There are no direct community safety implications.

Climate Change and Sustainability Implications

- 18. There are no direct climate change or sustainability implications.

Health and Safety Implications

- 19. There are no direct health and safety implications.

Health and Wellbeing Implications

- 20. There are no direct health and safety implications.

Social Value

21. There are no Social value implications.

Background Papers

22. None.

Appendices

23. None.

Report assurance

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	17/10/2024
Finance & Procurement	Nicola Hix	17/10/2024
Workforce	N/A	
Asset Management	Alyn Jones	17/10/2024
Executive Director	Alyn Jones	17/10/2024
Executive Lead Member	Cllr Mike Rigby	17/10/2024
Consulted:	Councillor Name	
Local Division Members	N/A	
Opposition Spokesperson(s)	Cllr Mark Healey for Prosperity, Assets and Development	Sent 17/10/2024
Relevant Scrutiny Chair(s)	Cllr Bob Filmer – Scrutiny Committee – Corporate & Resources	Sent 17/10/2024