

**Decision Report – Property and Investments Executive Sub-Committee**

Decision Date – 15 April 2024

Key Decision – no



---

**Review performance indicators for the Investment Portfolio and main risks to the programme**

Executive Member: Lead Member for Economic Development, Planning & Assets

Lead Officer: Oliver Woodhams, Strategic Asset Management Service Director

Author: Robert Orrett

Contact Details: Robert.Orrett@somerset.gov.uk

**Summary / Background**

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 - to be reported in confidential session at future 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 Q4 2023/24:

Indicator	Measure	Q4 2023/24	Comments
Total contracted annual income		£18,787,500	Unchanged due to rent free

			periods on lettings
Voids	Vacant units as a percentage of total rental value	6.5%	Reduced from 9.1% following lettings at Imperial House and Alchemy
Rent arrears		Not available	

- b. Agree to align future meeting dates to enable KPI updates to be completed prior to publication of meeting reports.
- c. Consider the main risks to the programme set out under paragraph 10 below.

### **Reasons for recommendations**

4. 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.
5. The range performance indicators used in this report were approved by the Sub-Committee at its meeting on 21 December 2023. For this meeting, there was insufficient time at the end of the quarter period for the manual checks to be carried out and full KPI update to be completed and checked before reports needed to be available for review.
6. Rental voids have reduced following recent completion of two lettings. One for the whole of Imperial House, Newport, and also for Ground Floor East, Alchemy, Welwyn Garden City. These do not change the immediate contracted rental income as there are initial rent free period. But the future rent total is increased and these will also help improve sale prices.

## Other options considered

7. 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.

## 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.

## Financial and Risk Implications

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

Risk Description	Risk Outcome / Impact and Probability Assessment	Impact (5 = Critical 1 = Low)	Probability (5 = High 1 = Low)	PRIORITY (Impact multiplied by Probability)	Mitigation
Officer team resources	Key officers leaving at short notice due to any circumstances, may impact programme timings and outcomes.	3	4	12	Expand external adviser activity and if required appoint a different internal client. Complete the Strategic Assets Management service restructure in an orderly manner without delays.
Financial target timings changing	Phased sales target cannot be met so further assets needing to be sold earlier than planned	3	4	12	Carry out asset management more quickly and be ready to sell phase 2 & 3 if required
Market weakening further	Reduces receipts from Property planned to be disposed of in future years	5	2	10	Consider bringing forward further early sales
National and International elections affecting	Reduced value of sales and cost of borrowing for rest of portfolio	3	3	9	Maintain awareness of macroeconomic conditions and reviewing against targets

macroeconomic conditions					
Commercially sensitive details are unintentionally made public	Potential buyers or tenants being aware of the council's commercial position, leading to sub-optimal financial outcomes	2	4	8	Discuss commercially sensitive details only in confidential sessions of sub-committee, attendance in-person only. Stress importance of confidentiality to attendees.
Dependency on internal teams not prioritising project needs	Control Boards approval and PO processing teams	2	3	6	Discuss priorities and gain exemptions as appropriate
Council governance mechanics	Decision process holding up sales	2	3	6	Gaining prior approval to sales over a certain price without further key decision reports being needed. Planning executed deeds in advance to ensure prompt execution.

### Legal Implications

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

### HR Implications

- There are no immediate HR implications.

### Other Implications:

### Equalities Implications

- There are no direct equalities implications.

### Community Safety Implications

- There are no direct Community Safety implications.

## **Climate Change and Sustainability Implications**

16. There are no direct Climate Change and Sustainability implications.

## **Health and Safety Implications**

17. There are no direct Health and Safety implications.

## **Social Value**

18. There are no direct Social Value implications.

## **Scrutiny comments / recommendations:**

19. 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 4<sup>th</sup> January Scrutiny Committee for Corporate & Resources. [Report of the Task and Finish Group for Commercial Investment Asset Realisation – November 2023](#)

## **Background**

20. 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.

21. 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.

## Background Papers

None

## Appendices

None

## Assurance checklist

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	28/3/2024
Communications	Peter Elliott	N/A
Finance & Procurement	Nicola Hix	3/4/2024
Workforce	Alyn Jones	3/4/2024
Asset Management	Oliver Woodhams	2/4/2024
Executive Director / Senior Manager	Oliver Woodhams	2/4/2024
Strategy & Performance	Alyn Jones	Sent 27/3/2024
Executive Lead Member	Cllr Ros Wyke	3/4/2024
<b>Consulted:</b>	Councillor Name	
Local Division Members	N/A	N/A
Opposition Spokesperson - for information	Cllr Mark Healey for Prosperity, Assets and Development	02/04/2024
Scrutiny Chair - for information	Cllr Bob Filmer - Scrutiny Committee - Corporate & Resources	02/04/2024