



Report to Finance and Resources Select Committee

Date: 26th November 2020

Title: Property Assets Update

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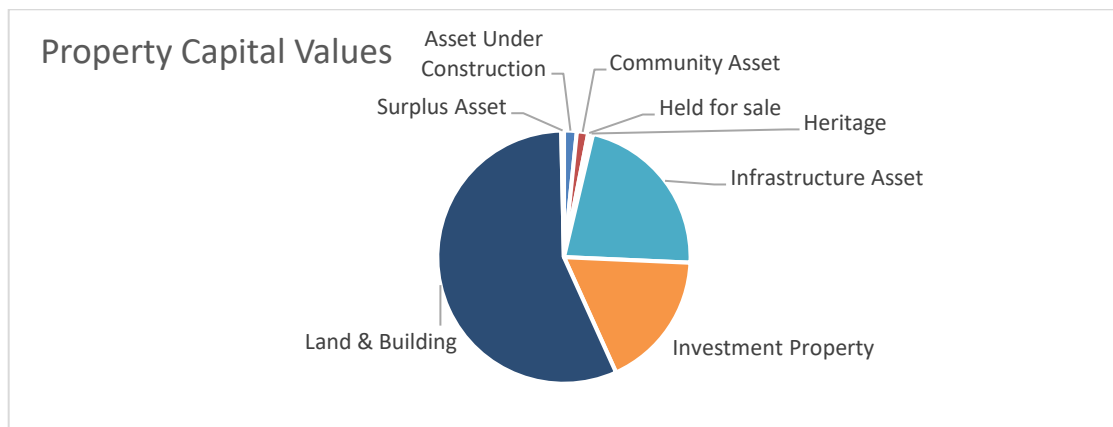
Ward(s) affected: All

Executive summary

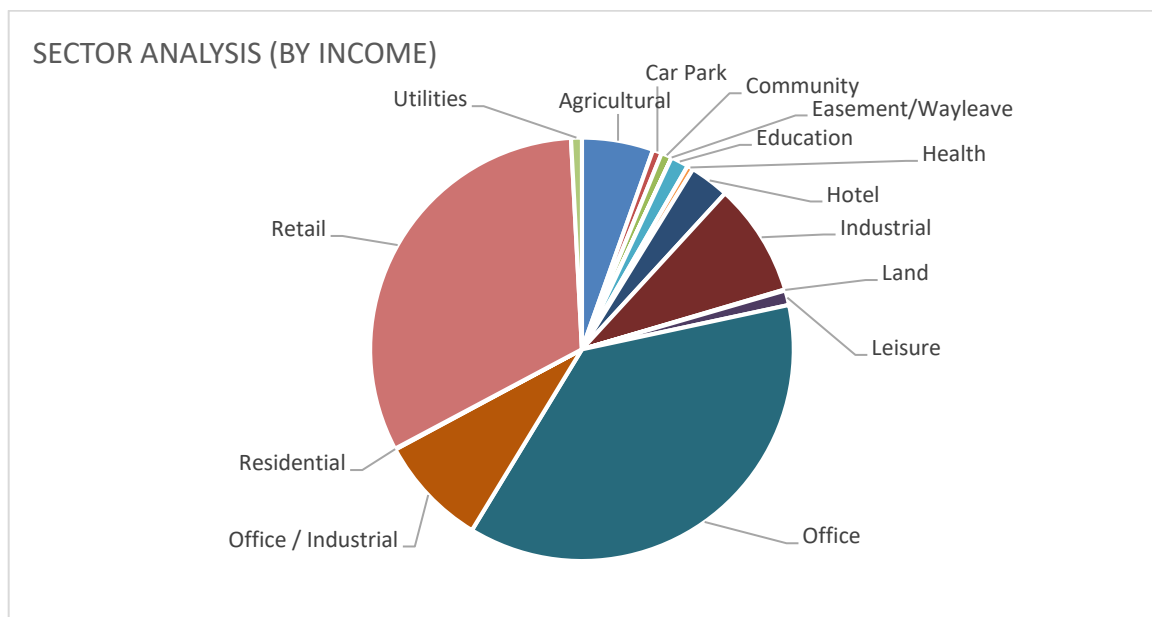
- 1.1 An update on the Property & Assets Portfolio and the medium to long term plans for the Council's assets. The report provides a high level summary breakdown of the current portfolio, Covid-19 response and future opportunity areas, together with an update on transformation and regeneration. A confidential appendix sets out detail of specific projects.

Portfolio Summary

- 1.2 The Council's Property Portfolio comprises c.1,800 properties and is currently valued at just under £2.06 billion. This is made up of the following as shown in the 19/20 draft accounts:



- 1.3 Within the portfolio c.£361m relates to the Council's Commercial and Investment Property with an income of c.£19.5m pa projected for the 20/21 financial year subject to any additional Covid-19 bad debt pressures. Detail for this is set out in Part 2 of the report.
- 1.4 In addition to the Council's directly managed portfolio income is also generated from two property companies, Consilio and Aylesbury Vale Estates (AVE). Valuation figures are included in Part 2 and a report on the property companies is due to go to Finance and Resources Scrutiny Committee in January.
- 1.5 We also have assets held in trust, for example the Higginson Park Trust, which makes up the land holding at Higginson Park in Marlow, which generates an additional £145k pa and is valued at £5.4m
- 1.6 Additional income is generated from our Operational Estate (e.g. nursery lettings at schools) with the income from these supporting or offsetting costs within the service area directly.
- 1.7 A significant proportion of the Council's income comes from the office and retail sectors. These areas have historically been favoured for security of income and levels of return coupled with local authority focus on retail driven regeneration, however the property market is undergoing a dramatic shift. The apportionment of the portfolio is a key consideration in any future acquisitions and disposals to ensure that the make-up of the portfolio is well balanced and resilient to market change.



1.8 Major tenants within the portfolio include:

Waitrose	Eden Commercial Ltd	ASDA
John Lewis	Telefonica	NHS
Aldi	FM Insurance Co	Bucks Education, Skills and Training
Tesco	Homebase	Modul-System Ltd
ASDA	Takada UK Ltd	Costa Coffee
Aldi	Hovis	Travelodge
Tesco	Energizer Group	Kyowa Kirin Ltd
Dunelm	Ultra-Electronics Ltd	Amicus Therapeutics UK Ltd

1.9 The Asset Management team following unitary is highly experienced and includes 6 qualified surveyors, of whom 3 are registered valuers. This is further supported by officers in Transformation and Regeneration, Capital and Special Projects, and Facilities and Property Services making up the wider Property and Assets department. This provides an excellent internal resource for the strategic delivery of the portfolio and support to internal service areas. The internal team is supported through external consultancy where required, either through the existing Carter Jonas contract or other local and national commercial surveying practices. The Agricultural Portfolio, an area requiring specialist expertise and knowledge, is externally managed by Carter Jonas reporting in to the Asset Management team.

1.10 The Corporate Landlord programme continues to be developed as the legacy authority assets are aligned within the new Council structure. This will develop over time to better coordinate direct day-to-day responsibilities, strategic advice and budgetary controls.

Covid-19 Response

1.11 The Commercial and Investment Portfolio has been impacted by the Covid-19 with an impact on budgets. These include particular pressures where the Council has turnover rents (where the rent paid is linked to the financial performance of the tenant), tenant CVAs and bad debt provision.

1.12 The Council has undertaken a proactive and balanced approach with our tenants as a result of Covid-19 to both support their continued occupation and trading with the collection of rent and other sums due to the Council. This includes:

- Providing guidance and signposting to sources of government and external funding;
- Directing tenants to our business rates colleagues to secure business rates support;
- Providing external seating licences to retail tenants at no charge until March 2021; and
- Supporting flexible payment plans both in terms of payment dates (e.g. agreeing to monthly payments) and deferring rent payments in full with repayment plans.

Active Management and realising opportunities

1.13 Undeniably the impact of Covid-19 has had a significant impact on staff capacity and prioritisation, which along with a volatile and highly evolving property market, has created an extremely challenging environment. Nonetheless, significant progress has been made in progressing existing and future opportunities within the portfolio.

1.14 Significant 'sites with potential' have been actively identified and a programme of bringing these forward is being progressed. This comprises the optimisation and promotion through planning allocation of a number of high-profile strategic sites throughout the portfolio through to either disposal for capital receipt or direct delivery. This is set out in more detail in the Part 2 report in the confidential section of this agenda.

1.15 A refresh of the Agricultural Policy has been commissioned to review the Council's Agricultural land holdings incorporating former District assets. The refresh will look closely at how the agricultural estate can contribute towards the wider corporate objectives of the Council. The updated policy refresh is anticipated for first quarter 2021.

1.16 In addition to the refresh of the Agricultural Policy further development of the Asset Management Plan is continuing. Whilst potential high value and prominent sites have been identified early on, all property assets are being reviewed on a site-by-site basis in the preparation of an Asset Management Action Plan. This brings together a review of the legacy authorities' plans, identification of smaller scale 'low hanging fruit' prospects and longer-term opportunities. It is intended that this will be completed by the end of the financial year.

- 1.17 On a day-to-day basis the Asset Management team is currently undertaking over 70 lease renewals, 50 rent reviews and 30 live transactions (lettings/disposals). In addition to this are a significant number of general property management actions including general landlord and tenant matters (e.g. licences for consent, alterations etc), covenant variations, overage negotiations grant of wayleaves/easements, temporary licences and lease re gearing negotiations amongst others.
- 1.18 Void management is a key area of property management delivered by the Asset Management team. Voids over 12 months currently comprise 0.78% of the Council's property holdings, with 0.45% having been vacant for over 24 months. This excludes those property assets 'held vacant' for project delivery (e.g. re-development) where there is already a corporately agreed action plan in place. Vacant property assets are actively managed to minimise the Council's holding costs, including business rates exposure, and to secure new tenants/purchasers.
- 1.19 New investment opportunities for the Council continue to be explored with due regard to the impact of Covid and changes in the marketplace. Acquisitions would look to add to our regeneration opportunities or income and capital appreciation.

Capital Disposals Programme

- 1.20 The Council has an active capital disposal programme with a target of generating c.£67m of capital receipts within the next three years. This comprises a number of schemes delivering commercial, residential and community developments supporting economic growth within the County. This includes the LASR programme and One Public Estate programme (A programme of projects designed to maximise potential income and capital receipt across the wider Public Estate), along with the Council's wider capital disposal programme. The live programme is set out in Part 2.

Support of Service Areas

- 1.21 The Asset Management team actively support internal service areas, acting as in-house consultancy and as intelligent client, and are active in the delivery of a number of key projects including:-
- Highways – Support on the CPOs of land for major infrastructure delivery (e.g. South East Area Link Road, Princes Risborough, Abbey Barn Lane)
 - Strategic national infrastructure (e.g. HS2, Heathrow expansion) – Provision of strategic advice on the potential CPOs of land from the Council in the delivery of national infrastructure projects.

- Communities – Supporting in the assessment and delivery of the Council’s devolution programme.
- Children’s Services – Re purposing of former Children’s Centres and continued support of the transition of schools to academy status and lettings and lease renewals to statutory delivery bodies and organisations.
- Wider strategic property consultancy and general landlord and tenant advice for the Council’s operational estate including schools, children’s centres, community centres, leisure facilities etc

Transformation

- 1.22 The Council continues to be responsive to the changing Covid situation, ensuring that both its operational buildings and community centres follow Government and Public Health guidance. The pandemic is providing valuable experience and data on home working for staff and members and different ways of delivering services to customers. This information is being used to inform and shape the longer-term workspace strategy. The strategy will seek to achieve a number of outcomes including more flexible working for staff, reducing carbon footprint by reducing the need for travel to work, as well as the rationalisation of the operational estate to deliver savings/efficiencies. The strategy will be developed over next 12 months and is expected to start to be delivered in 2021.

Regeneration

- 1.23 Property & Assets are working closely with the Economic Development & Regeneration team and are actively engaged in the Aylesbury Garden Town programme. A socio-economic assessment of Aylesbury town has just been completed. The findings will help inform the next piece of work which is the commissioning of a masterplan for two key opportunity areas in the town centre known as the Station Quarter and Exchange/Waterside North. The council owns substantial assets within these two areas which will be included in the brief.
- 1.24 During the summer, an extensive internal and external stakeholder engagement programme commenced to help shape the concepts for improving these two historic public spaces at Market Square and Kingsbury Square in the centre of Aylesbury town centre. £4.5m has been committed in the Council’s capital programme for the work. A detailed planning application is expected to be submitted in spring 2021 with work starting on site later in the year.

- 1.25 The Planning Application for the development of the Old Council offices for 47 residential units has been submitted. This marks an important first step in the regeneration of Aylesbury town centre.
- 1.26 On 10 November Cabinet agreed the formation of a new High Wycombe Regeneration Board, and already have one for Aylesbury comprising of cabinet members, local councillors and representatives of local key stakeholders. The board will give a strategic steer to regeneration activity in the town.
- 1.27 Work continues on the High Wycombe Eastern Quarter Regeneration Programme (EQRP), focused on land near High Wycombe Station. Plans for a significant commercial development are taking shape and once a business case has been established will be taken through the board and decision making process to agree the next steps.
- 1.28 As the first phase in EQRP the regeneration of the Brunel Shed at Wycombe Station is continuing with contractors now on site. The refurbishment of the Grade II listed building acts as an important step towards the wider programme bringing the iconic building back into use.
- 1.29 Following a successful application for feasibility funding in 2019, a further bid has been submitted for approximately £17m of government capital grants under the Future High Street Fund. If granted, this money will be spent on a range of projects to support the regeneration of High Wycombe town centre. A decision is expected from central government imminently.
- 1.30 In September Cabinet authorised progression of the Winslow Regeneration project committing to progressing the Planning Application which will deliver improved sports facilities, new community facilities and housing.