

CABINET

**COUNCILLOR MARTIN TENNANT
MAJOR PROJECTS AND PROPERTY
PORTFOLIO HOLDER**

14 MARCH 2023

REPORT NO. PG2310

KEY DECISION: YES

PROPERTY ASSET MANAGEMENT STRATEGY

SUMMARY:

This report requests the approval of the overarching principles and key objectives set out in the attached Asset Management Plan document. The core principle is that all council owned assets/buildings need to be maintained at nil net cost to the Council on a revenue basis with specific exceptions where the Council/Community benefit in other ways.

RECOMMENDATIONS:

CABINET is RECOMMENDED to:

1. Approve the Asset Management Plan and in particular the three key principle objectives that enable the Council to govern the approach to how individual assets are managed.
2. Approve the following policy changes:
 - a) Garden land to be disposed of based on a valuation rather than a standard charge of £6 per sqm. Valuation and legal costs to be met by the purchaser as set out at paragraph 3.8.a
 - b) A revised approach to rent relief given to Community, Sporting and Charitable organisations as set out at 3.8.b
 - c) A revised process and charge for licences which provide residents permitted access rights across Council owned land for domestic purposes, such as access to and from their gardens as set out at 3.8.c.
 - d) Approve a change in approach to new/renewal leases for Voluntary Community Sector (VCS) Assets such that the agreed rent ensures that the Council at least breaks even to cover costs as set out at 3.8.d.

1. INTRODUCTION

- 1.1 The purpose of this report is to seek approval to a number of key policy principles relating to the management of key Rushmoor property Assets. These principles are documented in the overarching Asset Management Plan (AMP)
- 1.2 The AMP details the high-level objectives that the Council wish to deliver to support its wider Policies and Plans. Upon approval of the AMP key objectives, the Council will develop individual Asset Management Plans that will look at how each Asset can be managed to support the wider portfolio.

2. BACKGROUND

- 2.1 Rushmoor Borough Council (RBC) has a typical Local Authority Property Portfolio which consists of a mixture of physical buildings that are Operational, Community, Regeneration and Investment properties. The Council also has Open spaces, Parks and other parcels of land.
- 2.2 The last Asset Management Plan has been fully refreshed to incorporate all RBC asset holdings.
- 2.3 The council recently implemented a property management system. This holds significant Asset Information, providing a full operational, compliance and financial overview for each individual asset.

3. DETAILS OF THE PROPOSAL

General

- 3.1 The AMP seeks to adopt 3 key objectives and apply these, as appropriate, to each individual asset. The key principles are:
 - I. Support communities & enhance place making
 - II. Enhance environmental sustainability
 - III. Achieve income to deliver the Council's priorities
- 3.2 If an Asset does not deliver the above objectives, it should be considered for disposal. Where an asset may deliver more than one objective, there will need to be consideration of the overall balance of objectives to be achieved. This will need to be considered in the context of the portfolio, individual asset and Council's financial needs and priorities.
- 3.3 The Asset Management Plan sets out the approach to achieving the key objectives at section 2.3. This recognises that while most assets are held for the above purposes some assets will be held and managed for a period within the portfolio for regeneration purposes and that in these cases the application

of the objectives will need to be modified based on regeneration objectives and length of time of the planned management.

- 3.4 The bringing forward of development proposals for some assets will be necessary to achieve the appropriate revenue and capital as required by the Council.
- 3.5 The aim for the Portfolio except for those elements identified above is to optimise the financial outcomes for the Council taking account of the other objectives relating to supporting communities, placemaking and enhancing environmental sustainability.
- 3.6 The Asset Management Plan sets out the work that has been done to assess stock condition, and energy performance of assets and maintain compliance. This work has identified significant maintenance and improvement requirements and the need to develop a long term maintenance and improvement schedule. While costs have been identified, at this stage the confidence in their accuracy is limited and this will be addressed over the life of the Asset Management Plan.
- 3.7 In taking a longer term view of the Asset Portfolio extensive work has been undertaken to forecast income over the next seven years. A baseline assuming all property events were to occur and making prudent provision for costs relating to them was developed. Following this a most probable model was evolved and this has informed the Outcome Based Budgeting undertaken for the 2023/24 budget. This approach enables the consideration of actions necessary to optimise and smooth income over the period, the opportunities for revenue growth and key risks.
- 3.8 As part of the AMP, it is proposed that a number of existing policies and processes are reviewed and updated.
 - a. Move away from a standard charge of £6 per sqm, where council land is disposed enabling Garden extensions to private home owners. A review of this policy suggests that this approach is unlikely to usually be consistent with the Council's duty to achieve best consideration for any disposal. It is therefore proposed that garden land disposals should be undertaken on a case by case basis with valuations obtained as appropriate at the cost of the purchaser.
 - b. Undertake a review of rent relief given to Community, Sporting and Charitable organisations. Currently there is a policy of providing a blanket 90% rent relief to such organisations. This policy does not take account of the rent charged, the service(s) provided to the local community and how it achieves the Council's objectives or the financial means of the organisation. So for example two organisations of a similar type could due to historical factors have very different rents. One may be paying a few hundred pounds and the other a few thousand pounds which could not be adjusted as they have long leases. Yet each will receive the same percentage of rent relief which will amount to very

different actual financial support. Similarly you can have an organisation with a turnover of £500K and another with a turnover of £10K both receiving 90% relief even though their rents are similar. So within the resources agreed by the Council through its budget process, it is proposed that a more sophisticated approach is taken. In future rent relief will be given due consideration based on the following factors:

- The extent to which the organisations meet the Council's priorities,
- Provides services which mitigate cost to the Council,
- Turnover and ability to generate income including activities of other parties within its demise
- Size of any new or renewal rent (recognising that where rents have increased significantly it may be appropriate to provide greater relief for a transitional period).
- Securing of investment in assets in the Borough
- Community reach
- Council's overall financial situation.

c. Standardise the charges for licences which provide residents permitted access rights across Council owned land for domestic purposes, such as access to and from their gardens. It is intended to more consistently regulate such arrangements and ensure formal licence agreements are in place. The proposed fee in future is £250 subject to an annual RPI uplift. Discretionary is to be provided to the Executive Head of Property and Growth to vary this in exceptional circumstances.

d. Implement a change in approach to new/renewal leases for Voluntary Community Sector (VCS) Assets such that the agreed rent is usually the passing rent or the rateable value. If a lower rent is agreed it must ensure that the Council at least breaks even to cover costs.

3.9 Revised policies and principles will be applied for all new/future lease/licence agreements. They will not be retrospectively applied.

3.10 Data held on the Property Management System will be used to support development of each individual asset management plan, aligned to the key objectives. The asset data will provide the necessary information to identify future activities upon which RBC can make assumptions about future income/expenditure (next 5-7 years). Further development of the Property Management System will enhance the effectiveness of property management and the extent and quality of data held.

3.11 The conglomeration of these individual asset management plans will provide the information and financial requirements of the portfolio at a strategic level.

Alternative Options

- 3.12 Do nothing – this will have adverse financial implications for the Council. Many of the current asset management approaches and practices that are in place have not been reviewed for a number of years. Subsequently, they are inconsistently applied and mis-aligned to the current economic/regulatory climate.
- 3.13 Delay – the Council is required to fund all regeneration activity from capital receipts. Therefore, any delay in establishing which assets fall within the strategic principle disposal category will impact the speed and extent of regeneration that can be achieved.

4. IMPLICATIONS

Risks

- 4.1 Some of the proposed policy and principles may be met with challenge from the local community as the Council seeks to take a more professional and sustainable approach to asset management.
- 4.2 From 1st April 2023, MEES regulation will prohibit landlords from leasing out commercial buildings with an EPC rating of F or G. There is currently one Council Asset that falls within this category. However, under a current Green Paper, the Government has proposed that the minimum EPC will rise to C by April 2027. There are currently 56 assets with a D or E rating. Consequently, without investment to upgrade, the Council may be unable to let impacting revenue income.
- 4.3 Data on building material costs shows that there has been significant cost inflation, as well as supply chain issues, following Covid and Brexit. This may consequently impact the Council's ability to maintain a timely and cost-effective maintenance/improvement schedule for portfolio assets.
- 4.4 Deteriorating economic conditions, a downturn in the property market and changing consumer/business habits may lead to a significant loss of income from the Council's property portfolio.

Legal Implications

- 4.5 Legal input will be required in order to review and update new lease and licence agreements in line with revised principles.

Financial and Resource Implications

- 4.6 The budget for 2023/24 is based upon the development of the Asset Management Plan and associated financial modelling. It includes initial investment to improve Energy Performance Certificates (EPCs) for Council owned assets, to meet the minimum regulatory requirement enforced by the government. The ongoing development of the Asset Management Plan will enhance the understanding of financial income, costs and risks.
- 4.7 Implementation of revised asset management principles will ensure that moving forward, assets no longer operate at a loss and as a minimum break even. This will positively support the overall revenue position of the Council.
- 4.8 The review of existing policies and practices currently in place and application of updated principles will require both property and legal resource support.

Equalities Impact Implications

- 4.7 There are no known Equalities Impact Implications arising from this report.

5. CONCLUSIONS

- 5.1 A review of the current processes and policies with respect to the Council owned assets has established that, in some instances, they are outdated and inconsistently implemented.
- 5.2 Development and application of the proposed AMP in line with the key objectives will support the Council to meet revenue targets while also ensuring consistent and fair practices are applied. Consequently, each asset will have its own asset management plan.

BACKGROUND DOCUMENTS:

Appendix 1: RBC Asset Management Strategy

CONTACT DETAILS:

Report Author – Tim Mills, Executive Head of Property and Growth

RBC ASSET MANAGEMENT PLAN 2023-2030

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1. INTRODUCTION

Rushmoor Borough Council has a typical Local Authority Property Portfolio which consists of a mixture of physical buildings that are Operational, Community, Regeneration and Investment properties. Further the Council has Open spaces, Parks and other parcels of land.

The Council has transferred its Council Housing as part of a stock transfer in 1995 which is now owned by Vivid Housing. The few remaining residential properties held by the Council are being transferred to a wholly owned subsidiary “Rushmoor Homes Limited” and as such these elements are not covered by this Asset Management Plan.

The Asset Management Plan (AMP) details the high-level objectives that the Council wish to deliver to support its wider Policy Objectives. As a result of the overarching AMP the Council will develop individual Asset Management Plans (AMPs) that will look at how each Asset can be managed to support the AMP. The plan is designed to ensure that the professional approach to property developed by the Council is consistently embedded across all the Council’s assets and ensure a corporate approach is applied. The plan will support that corporate and professional culture which enables effective and efficient management.

In preparation for the AMP the Council implemented a new Property Management Software System that went live in the Spring of 2022. The software supports data clarity, accuracy and accessibility. In readiness for the implementation of the software a collaborative multi-department led comprehensive validation of data was undertaken.

1.1 Council Priorities

The AMP has been developed to support the following Council priorities: -

People

Empowering and connecting communities and enabling people to live healthy and sustainable lives to fulfil their aspirations.

- Strong communities, proud of our area
- Healthy and green lifestyles
- Opportunities for everyone – quality education and skilled local workforce

Place

Ensuring our towns are family-friendly, safe, vibrant, and sustainable places - now and in the future.

- Housing for every stage of life
- Vibrant and distinctive town centres
- A thriving local economy - kind to the environment



1.2 Council Policy, Plans & Strategies

The AMP has been developed to support the Councils following Policies, Plans & Strategies

- [Business Plan 2021-2024](#)
- [Capital Strategy 2023-24](#)
- [Medium Term Financial Strategy 2023-2026](#)
- [Climate Change Strategy 2020-2030 and Climate Change Action Plan 2020-2030](#)
- [Council Plan 2022-25](#)

2. ASSET MANAGEMENT PLAN OBJECTIVES

In response to the Council's Priorities, Policy, Plans & Strategies the AMP has developed 3 key objectives. These are focused on the properties/land held for asset, organisational or community purposes and it is not intended to address properties within the regeneration portfolio. In developing these objectives consideration has been given to the Council's declaration of a Climate Emergency and enhancing environmental sustainability.

2.1 [Key objectives](#)

Support communities & enhance place making:

Maintain and enhance Assets that provide community inclusion, place make and support a green and healthy lifestyle

Enhance environmental sustainability:

Create a portfolio that has Environmental & Sustainability credentials and helps reduce the Borough's impact on the environment & response to the Climate Crisis

Achieve income to deliver the Council's priorities:

The portfolio will deliver a mixture of revenue income to ensure the assets are financially sustainable and underpin the Council's operational priorities and capital receipts to support delivery of the capital programme in particular regeneration.

2.2 [Definition of objectives](#)

The Council's Assets will fit within at least one of the criteria of the 3 Objectives. These are detailed below.

2.2.1 [Support communities & enhance place making](#)

- ✓ Community facility
- ✓ Promotes healthy or green lifestyle
- ✓ Provides opportunity for everyone
- ✓ Regeneration opportunity
- ✓ Place Making

2.2.2 [Enhance environmental sustainability](#)

- ✓ Investment required - (EPC, Stock Condition related)
- ✓ Meets Economic Development and Climate Change Policy
- ✓ Provides green credentials

2.2.3 [Achieve income to deliver the Council's priorities](#)

- ✓ Dispose of for capital receipt achieving best value
- ✓ Investment required prior to disposal
- ✓ No s-term action required
- ✓ Management required (lease extension, renewals, voids etc)
- ✓ Change of Use / planning opportunity
- ✓ Investment required to enhance the asset and generate greater revenue income

If an Asset does not deliver the above objectives, it should be considered for disposal. Where an asset may deliver more than one objective, there will need to be consideration of the overall balance of objectives to be achieved. This will need to be considered in the context of the portfolio, individual asset and Council's financial needs and priorities.

2.3 [Approach to achieving objectives](#)

2.3.1 Financial Performance

All asset decisions pertaining to the generation of one-off capital receipts versus ongoing revenue and the investment required to achieve these decisions, should be made in the context of the Council's wider Medium Term Financial Strategy (MTFS). As such, the financial performance of an asset should be aligned to the MTFS objectives and strategy.

At the time of publishing the AMP the Portfolio creates a Gross Revenue of approximately £8M per annum in 22/23. The Council has identified a substantial deficit per annum and as such the quantifiable objective is to grow the net revenue income of the retained Portfolio by 5% per annum.

The Council has ambitious plans to Regenerate both town centres and carry out various Capital Projects over the term of the AMP. It is currently adopting a principle that in general Capital Expenditure will be funded through the generation of capital receipts. An ongoing review of the Portfolio will therefore be necessary to determine the appropriate strategy for disposal that enables the Council to meet its regeneration ambitions without undermining its revenue income and taking account of the impact of any disposal on the risk profile of the Portfolio and the Council's risk tolerance in this regard.

2.3.2 Regeneration & Acquisition

There are a number of assets that are being purchased/constructed to support regeneration ambitions. Some of these will be managed within the property portfolio on a short or long term basis and the objectives will be applied as appropriate based on timescales

2.3.3 Property Development

Development and Redevelopment of existing land and assets such as Hawley Lane, Frimley Business Park and Belle Vue provide opportunities to generate a combination of Revenue and Capital. Further information can be found in the Appendix.

2.3.4 Asset & Property Management

Proactive asset and property management across the existing portfolio will help ensure that all income opportunities are optimised. This includes confirming all lease events (expiry, rent reviews and breaks) are considered ahead of the event and negotiations are entered into at the appropriate time. Equally, all lettable units should be in an optimum position to let, if currently vacant.

2.3.5 Enhance Environmental Sustainability

In line with Government objectives the Council will aim to improve the Energy Performance Certificate (EPC) to a minimum of a C by 2027 and a B by 2030. Where achievable, based on the scope of works; any major refurbishment projects will aim to achieve a Grade B and new build properties, not currently under construction will aim to achieve an A rating. Further any major refurbishment or new build projects that are eligible will engage in the BREEAM process and look to achieve a Minimum of "Good."

The extent to which the Council can achieve its objectives will be limited by the terms of lease. Where leases are on a full repair basis the occupiers have no obligation to improve the property nor to allow the Council to do so during occupation. The Council may seek to negotiate improvements but has no power to require it. In seeking to optimise the environmental sustainability of its assets the Council will have regard to the value for money of any proposals.

2.3.6 Support communities & enhance place making

The property Assets held by the Council should enhance the Community and Placemaking of the Borough. However, these assets also need to be financially sustainable and generate sufficient income to cover their running and investment costs. Typically, assets that fall within this category will:

- Support the Council's priorities (directly or indirectly)
- Provide services which mitigate cost to the Council,
- Achieve community reach to significant demographic groups or have a substantial impact

Organisations that are providing significant Community and Placemaking benefit, that also lease Council property should be given lease terms that are commensurate with their needs to ensure longevity. Many sports clubs won't meet their relevant sporting associations criteria for grant funding, unless they have a reasonable period of certainty within their lease and therefore extension of leases will be considered to enable this to be achieved on appropriate terms.

3. EFFECTIVE INDIVIDUAL ASSET MANAGEMENT PLANS

- Each asset will have its own individual Asset Management Plan. The Plans will detail the approach for each asset and will categorise them under the 3 Principal Objectives. Some assets may achieve multiple objectives, this will be the case with the financial objectives as an income producing asset could be held for revenue or disposed of for capital.
- Where the qualitative objectives are strongest these are most likely to be retained for income rather than disposal.
- Some “Community Assets” may not support the financial objectives of the Council but will support the qualitative objectives and will be retained as such.
- As part of the individual Asset Management Plans, a cross-section of data will be collated to inform wider financial and strategic decision making on each asset. A confidence rating has been provided against each data category in order to provide an indicative view around the data reliability. For example, where information is definitively known, the confidence level will be high. However, where data is based on a series of assumptions and predictions to create estimates, the data will be less reliable and subsequently the confidence level is likely to be significantly lower.

3.1 [Property Management Asset Data](#)

The Council’s Property Management System holds significant Asset Information. The Estates Team has a dedicated Property Systems Administrator who manages the data within Property Management System. Much of the data required to prepare the individual Asset Management Plans at a Property level can be extracted.

The information held on the individual Asset Management Plans will provide an Operational overview of that Asset. The conglomeration of these Plans will provide the information and financial requirements of the portfolio at a strategic level.

The following Information is currently available on Property Management System and will be used to inform the individual AMPS. Field level data held can be found in Appendix 1.

SITE

The Site relates to an Asset as identified on the Asset Register. Data includes the asset number, site name and address information.

BLOCK

A Block relates to a separate entity within an Asset as identified on the Asset Register. As an example, Frimley Business Park is a single Asset, but each building is a Block.

RENTABLE UNIT

A Rentable unit relates to a separate lettable entity within a Block. As an example, Frimley Business Park Building 4.3 is a Block, but has multiple units. The EPC information is held at this level.

OCCUPATIONS

An occupation is the details of individual rental agreements, these are held against a rentable unit and will include data around rent rates/renewal dates and maintenance obligations

3.1.1 Confidence Level

- The confidence level for data held on Property Management System is 1 HIGH (GREEN). Data has been verified by Surveyors and cross referenced against existing financial records.

3.2 [Stock Condition Information](#)

- For all assets, where RBC are responsible for maintenance a Stock Condition Survey has been prepared. A five-year maintenance schedule will be determined, using these surveys as the key input. The schedule will provide high-level indicative timing and cost of works on an annual forecast basis between 2023 and 2030. This will be a time-consuming exercise so the immediate focus will be on the c.35 properties where RBC have maintenance and repair responsibilities
- Stock Condition Surveys are used to create PPM (Planned Preventative Maintenance) Schedules, these are used to predict future expenditure, however not all expenditure can be predicted, and a suitable “reactive” budget will be provided to capture unforeseen repairs.

3.2.1 Confidence Level

- The confidence level for costs is 3 LOW (RED). Costs will be estimated internally for the majority of assets and where individual feasibility studies have been prepared / or quotes obtained these figures will be utilised.

3.3 [Property Compliance](#)

- In order to ensure the Council meets its statutory and regulatory responsibilities, a global view of Statutory, non-statutory and insurance compliance levels will be provided for each asset. This will be supported with required funding estimates to improve the status, where the asset is not deemed to currently be at the desired level of compliance.
- A 5-year forecast will be produced linked to the annual cost of compliance works.

3.3.1 Confidence Level

- The confidence level for costs is 2 MEDIUM (AMBER). Costs will be estimated internally for the majority of assets and where individual feasibility studies have been prepared / or quotes obtained these figures will be utilised.

3.4 [Energy Performance Certificates](#)

- Energy Performance Certificates (EPCs) were established for property in the UK in 2007 and have continued to evolve over the years. There remain differences between the non-domestic (commercial property) and domestic (residential) EPCs and the rules implementing these EPC standards for each part of the property market.
- Minimum Energy Efficiency Standards (MEES) are minimum requirements for EPC ratings enforced by the government. These regulations are being extended in April 2023.
- From 1st April 2023, MEES regulation will prohibit landlords from leasing out commercial buildings with an EPC rating of F or G, (though there is a slight loophole which is not closed until 2025).
- Under a current Green Paper, the Government has proposed that the minimum EPC will rise to C by April 2027
- The 2020 Energy White Paper confirmed that the future trajectory for the MEES Non-domestic will be an EPC B by 2030.
- Steps 2 & 3 are still awaiting confirmed Government policy decision, but we have assumed the deadlines are likely to become mandatory.
- The Council as landlord has to bear the direct cost of improving a buildings energy performance to the required EPC standard and bearing in mind: -
 - the size of Rushmoor’s commercial property portfolio (over 220 properties)
 - the time it takes to organise and complete the bespoke building works at each property
 - the easy (and reduced costs) of doing the works if the property is vacant)
 - the impact on each tenant,
 - the increased cost of doing the improvement works twice in smaller steps.

- There is likely to be a financial saving over time, to Rushmoor to implement the required works to bring each property straight up to the EPC B and a reduction on climate impact in doing the works early.
- The existing EPC score for all properties will be captured. However, at a high-level, the table below summarises the current position

| EPC Rating | Number of Corresponding Assets |
|------------------|---------------------------------------|
| A | 5 |
| B | 16 |
| C | 29 |
| D | 31 |
| E | 26 |
| F | 1 |
| No EPC Available | 1 – Southwood Visitor Centre and Café |

3.4.1 Confidence Level

- The confidence level for costs to improve EPC ratings is 3 LOW (RED). Costs will be estimated internally for the majority of assets and where individual feasibility studies have been prepared / or quotes obtained these figures will be utilised.

3.5 Void Costs

Where an asset is likely to be vacant RBC will be responsible for void or “holding costs” these include, but are not limited to Service Charge contributions, Business Rates & Utilities. In addition, there may be higher maintenance costs (due to vandalism), cost of statutory compliance and insurance inspections and security related costs. As a general rule, we have applied a rate of 50% of the estimated rental value for a property to be the average cost of holding a property empty. The reality is that the costs may be higher or lower, but at this stage this is a conservative best guess as there are many external factors that will influence the actual cost.

In addition, there will usually be a cost to repair/improve the property in order to achieve a new letting at the desired rental level. While the previous occupier will have a responsibility to repair the property to the standard at which it was let initially due to the length of leases this is rarely the standard required for the new letting.

Occupiers are often willing to make payment rather than undertake the dilapidations and this is usually in the Council’s interests. Such payments are held in reserve and applied to achieve improvements to secure lettings at the appropriate time.

3.5.1 Confidence Level

- The confidence level for costs is 3 LOW (RED). Costs will be estimated internally for the majority of assets and where individual feasibility studies have been prepared / or quotes obtained these figures will be utilised.

3.6 Cost of Borrowing

Where an asset has been purchased or improved using borrowing, RBC will need to make appropriate provision as part of its overall Capital Strategy.

3.6.1 Confidence Level

- The confidence level for costs is 1 HIGH (GREEN). Costs will be estimated internally by the finance team.

4. FORECASTING INCOME

The data held on the Property Management System will provide the necessary information to identify future activities upon which RBC can make assumptions about future income.

4.1 Occupation Termination.

- When a Lease or licence comes to an effluxion of time there are a number of options that the parties of the occupation will have, as follows: -
- Hold over – Allow the existing Ts and Cs to continue
- Renewal – Negotiate new terms this may see a rental increase or indeed a decrease depending on the macroeconomics of the sector that the asset falls within.
- Termination – The occupation may come to a natural end.
- An agreement may also terminate prematurely for a number of reasons, by mutual agreement or financial failure of one party.
- In each of the scenarios it is possible that the rental income may go up, down or cease. Assumptions will be made as to what is the most likely scenario. Further If the agreement terminates there will be a void period and assumptions will be made about how long the property will be empty and any incentives required to relet.

4.2 Break Options.

- A number of leases contain Break Options, in which the landlord and/or Tenant have the right to terminate the agreement.
- Assumptions will be made about the likelihood and financial implications of these.

4.3 Rent Reviews

- Many agreements have a provision to review the rent. These provisions are generally made for longer term leases (rather than licences). There are various considerations such as the methodology which may include: -
 - Upward and downward reviews, where the rent can go up or down,
 - Index linked reviews, where the rent is linked to a particular price index, typically RPI.
 - Or a number of other factors.

4.4 Lease Regears

- A lease regear is the process of extending the terms of occupation. Where a known event is due such as a termination or rent review.

4.5 Forecasting

- Based on the potential lease/ licence events RBC will make assumptions factoring in the current estimated rental value (ERV) and industry expected voids and incentives (where applicable)
- It is also possible that RBC can risk rate its major income based on company strength and likelihood of failure utilising a credit scoring system (Such as Dun and Bradstreet)

5. FORECASTING EXPENDITURE

- The information held within the Stock Condition Surveys, PPMs, Property Compliance, EPCs and Void likelihood will enable RBC to forecast future expenditure.
- Similar to the forecast income the expenditure will be consolidated to a portfolio wide annual expenditure, for the period 2023 -2030

6. PORTFOLIO RISKS

The Property Service holds a risk register which is reviewed monthly and any appropriate risks escalated to the Council's Corporate Risk Register. The most significant risks currently identified for the portfolio are:

- Data on building material costs shows that there has been significant cost inflation, as well as supply chain issues, following Covid and Brexit. This may consequently impact the Council's ability to maintain a timely and cost-effective maintenance/improvement schedule for portfolio assets
- Deteriorating economic conditions, a downturn in the property market and changing consumer/business habits may lead to a significant loss of income from the Council's property portfolio.
- There are changes to MEES Regulations which come into effect from 1st April 2023, alongside EPC regulation changes proposed for 2030. Combined, these changes may impact lease renewals and lettings of commercial premises.

7. POLICY & PROCESS CHANGES

As part of the AMP, it is proposed that a number of existing policies and processes are reviewed and updated.

7.1 [Garden Land Disposals](#)

The Council has previously had a policy of disposal of Garden land (only to be used as a garden extension i.e., no building) at £6 per sq. ft where such land is deemed surplus since c. 2017. A review of this policy suggests that this policy may not always be consistent with the Council's duty to achieve best consideration for any disposal. In any case the value will vary and will require updating on an ongoing basis and therefore is out of date.

It is therefore proposed that garden land disposals should be undertaken on a case-by-case basis with valuations obtained as appropriate at the cost of the purchaser. Where appropriate a standard value per sqm may be applied provided this is based on up-to-date evidence and advised as appropriate by a qualified surveyor. Any disposal will be an Executive Decision by the Head of Service or Corporate Property Manager and will contain the appropriate information to justify the valuation decision.

7.2 [Licences Approach](#)

There are several instances where residents are permitted access rights across Council owned land for domestic purposes, such as access to and from their gardens. Historically, these agreements have been somewhat irregular in their documentation and remuneration.

Going forward, the Council will look to regularise such arrangements by putting in place a formal Licence agreement. The licence will afford the resident access rights over the Council land and in exchange the licensee will be pay an annual fixed standard fee of £250 (paid annually in advance). The annual cost of the licence fee will usually be increased in line with RPI on an annual basis unless the Council determines otherwise as part of its annual review of fees and charges.

It is envisaged that all access licences will be subject to the same standard fee across the board unless specific circumstances exist to justify a higher or lower fee.

7.3 [Voluntary Community Sector \(VCS\) Assets Approach](#)

Like many other boroughs, the Council has a variety of Voluntary Community Sector (VCS) organisations that currently occupy council owned assets in order to carry out their work. At the time of writing, the Council has approximately 25 such occupations.

It is envisaged that VCS tenants are effectively custodians of Council assets for the benefit of the residents of the Borough. VCS tenants will typically occupy property by way of a formal lease for a period of 5-25 years, depending on the nature of the organisation's work and the level of capital expenditure committed. Leases will typically offer both parties the flexibility to terminate the agreement early. The exception to this may be when a tenant is proposing to invest significant levels of capital expenditure to improve the property and is required to amortise their costs over a longer period or has the need to secure external grant funding.

For any **new or renewal leases** or where the rent is due for review, the level of rent to be charged for a VCS lease will be the higher of either the passing rent or the Rateable Value as at the time of review. In determining the rent, the Council will seek to ensure that these properties at least break even in terms of the

cost to the Council. The Council will separately consider whether to provide subsidy for the rent payable, by way of an annual 'Rent Relief' grant. This has previously been 90% funding of the rent. However, the Council will in future review rent relief grant on an organisationally specific basis taking account of:

- The extent to which the organisations meet the Council's priorities,
- Provides services which mitigate cost to the Council,
- Turnover and ability to generate income including activities of other parties within its demise
- Size of any new or renewal rent (recognising that where rents have increased significantly it may be appropriate to provide greater relief for a transitional period).
- Securing of investment in assets in the Borough
- Community reach
- Council's overall financial situation.

The tenant will usually be responsible for all internal and external repairing liabilities however this will be assessed on a case-by-case basis. Tenants will be expected to demonstrate that they have taken all reasonable measures to assess and budget for the proper maintenance of the properties that they occupy, throughout their lease term.

As part of their repairing obligations, tenants will be required to keep the property in a health and safety compliant condition, ensuring that all statutory regulations are adhered to. These might include commissioning and maintaining an Asbestos Register, regular fixed electrical wiring tests, gas safety tests, water legionella tests and minimum compliance for EPC ratings. Where the Council undertakes these functions for the organisations it will seek to recover its costs in managing and undertaking the work.

Tenants will be responsible for all property related outgoings, which may include but are not limited to rent, rates, buildings insurance, service charge (where applicable) and utilities. The tenant should ensure that all necessary business insurances are in place, such as contents cover and public liability.

The tenant will not be permitted to assign their lease. The tenant will not be permitted to sublet their property unless specifically agreed with the Council at commencement of their lease.

The lease will not in general permit the use of the property for any other purpose other than that specified. From time to time, the tenant may apply to the Council to vary such use, however, the Council will assess each application on a case-by-case basis and will be under no obligation to grant such consent.

8. APPENDIX 1: Property Management System Data Field

The following field level data is held on Property Management System:

8.1 SITE

The Site relates to an Asset as identified on the Asset Register

- **Site UPRN** – This is the Asset Number identified on the Asset Register and used by finance.
- **Site Name** – Self explanatory
- **Site Address** – Self explanatory
- **Site Status** – Current/ not current – This defines if the Asset is currently under RBC Control. As an example, Union Yard would be defined as “Not current” as it is currently with the Regeneration Team and under construction.
- **Site Tenure** – RBC’s ownership relationship to the property i.e., RBC owns freehold or is leasing from another 3rd party
- **Site Category** – Commercial, Community, Operational, Regeneration, (Residential – for RHL), Unknown
- **Site Subcategory** – Each of the site categories are split into more detailed categories
- **Site Area** – Total area of the land
- **Site Easting** – To generate a map location
- **Site Northing** – To generate a map location
- **Site Client** – Rushmoor, LSHIM or RHL – Used to identify who controls the Asset.
- **Site Region** – Farnborough, Aldershot or Out of Borough (various listed) to allow detailed reporting on a regional basis.
- **Site Photograph** – Image of the Asset

8.2 BLOCK

A Block relates to a separate entity within an Asset as identified on the Asset Register. As an example, Frimley Business Park is a single Asset, but each building is a Block.

- **Block Ref** – This is the Site UPRN (Asset Number) followed by a decimal point. I.e., A0001.01
- **Block Name** – Self explanatory

8.3 RENTABLE UNIT

A Rentable unit relates to a separate lettable entity within a Block. As an example, Frimley Business Park Building 4.3 is a Block, but has multiple units.

- **Unit Ref** – This is the Site UPRN (Asset Number) followed by a decimal point identifying the block number, followed by a decimal for the lettable unit A0001.01.01. This is the lowest denomination
- **Unit Name** – Self explanatory
- **Unit Area** – Total area of the unit
- **Estimated Rental Value** -What a willing and able tenant would be prepared to pay in an open market transaction
- **Estimated Rental Value (per sq. ft.)** -What a willing and able tenant would be prepared to pay in an open market transaction on a per sq. ft. basis.
- **Current Rent**-What the current rent passing is (Only applicable if let)
- **Rent (per sq. ft.)** - What the current rent passing is (Only applicable if let) on a per sq. ft. basis.

- **Status** – This identifies if the unit is lettable or not. Lettable units can be let to a 3rd party for a rent, unlettable units may be required for operational purposes (such as a plant room or facilities office) or may be unlettable due to condition (non-complaint EPC, works being undertaken etc)
- **Let?** – If the unit is Lettable this is to identify if it is let or not.
- **Rateable Value** – The Rateable Value of the Rentable unit.
- **EPC Rating Grade** – Alphabetical Energy Performance Certificate Grade
- **EPC Rating Number** – Numerical Energy Performance Certificate Grade
- **EPC Assessment Date** – Self explanatory
- **EPC Expiry Date** – Self explanatory
- **EPC Assessment Date** – Self explanatory
- **EPC Recommendations** – Recommendations made by the EPC Assessor to improve the EPC Rating.
- **EPC Estimated Cost** - Anticipated costings linked to recommendations. NOTE – From April 2023 ALL properties leased or on the market for lease will require an EPC rating of E or better. There are White and Green Government Papers seeking to move to a Grade C by 2026 and a Grade B by 2030.

8.4 OCCUPATIONS

An occupation is the details of rental agreement, these are held against a rentable unit.

- **Other Party Code** – This is the customer code used in integra and is one of the cross-referencing criteria.
- **Other Party Name** – Tenant or Landlord name.
- **In/out** – This defines who the landlord is, it means that RBC are the tenant and Out RBC is the landlord.
- **Agreement Start Date** -The date the agreement started
- **Agreement Termination Date** -The date the agreement will finish
- **Current Rent**-What the current rent passing is (Only applicable if let)
- **Rent (per sq. ft.)** - What the current rent passing is (Only applicable if let) on a per sq. ft. basis.
- **Next Rent Review Date** – The next date the rent can be reviewed.
- **Next Break Date** – The next date the agreement can be terminated early.
- **54 Act Protection** – If the tenant has a right to renewal.
- **Repairing Obligations** – Who is responsible for repairs
- **Insurance Obligations** – Who is responsible for insurance