



**Resources and Public Realm
Scrutiny Committee**
27 February 2024

**Report from the Corporate Director
of Finance and Resources**

**Councillor Shama Tatler, Deputy
Leader, Lead Cabinet Member for
Finance, Resources and Reform
and Lead Cabinet Member for
Regeneration, Planning and Growth**

Draft Property Strategy

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Part Exempt - as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information)".
List of Appendices:	4: Appendix 1 – Draft Property Strategy Appendix 2 – Additional Income and Top Development Opportunities (Exempt) Appendix 3 - Policy Framework Appendix 4 - Equality Analysis
Background Papers:	n/a
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1.0 Executive Summary

- 1.1 The Council's property assets ("assets") span across the Council and the diverse geography of Brent. They are fundamental to supporting the delivery of the 2023-27 Borough Plan objectives.
- 1.2 By providing business accommodation and community infrastructure, especially where there is a lack of supply and market failure to meet demand, the Council's assets enable economic and community development in equal measure.
- 1.3 This report sets out the vision and objectives of the property strategy that officers developed in conjunction with Avison Young - independent consultants, and a range of stakeholders through interviews and interactive workshops.
- 1.4 The property strategy establishes guidelines for prioritising and shaping the use of Council-owned assets that align with the Council's objectives, priorities, and community needs. By implementing a strategic and systematic approach to decision-making, the Council can optimise the social, economic, and environmental benefits from our assets in a world of rapid change and uncertainty while ensuring equitable access and efficient use of resources.
- 1.5 Operational effectiveness and strategy are both essential to performance. The first half of this report sets out the findings from the assets review and the proposed new vision, strategic objectives, and themes. The success of the strategy depends on doing many things well, and the second half of the report sets out what we are doing and what we need to do to achieve operational excellence and support the delivery of strategic aims. We must also effectively compete in the property market, and sustainable competitive advantage grows from the entire system of activities. Interlocking activities provide rich and promising possibilities for expanding value in energy efficiency, accessibility, and equality.

2.0 Recommendation(s)

The Committee is asked to note, or comment on:

- 2.1 The content of this report, the findings from the asset review, and the new vision, strategic objectives, and themes.
- 2.2 The property strategy in Appendix 1, as well as the action plan.
- 2.3 The policy framework in Appendix 2, which serves as a foundation and guidelines for decision-making.
- 2.4 The approach to further engagement before the Cabinet is asked to adopt the property strategy.

3.0 Detail

Contribution to Borough Plan Priorities & Strategic Context

- 3.1 The Council's property portfolio is a significant and tangible resource owned outright by the Council. It represents a source of revenue income and is a crucial component in the delivery of socio-economic objectives. The portfolio comprises diverse uses, from community centres, retail units, leisure, and office space – and has the potential to contribute to all strands of the Borough Plan.
- 3.2 The Council's varied property assets can contribute to Council priorities in a variety of ways, such as generating tax revenue (non-domestic rates), providing employment opportunities and essential services, supporting town centre regeneration and meanwhile uses, enhancing the quality of life for residents, fostering economic and social development, and enhancing the vibrancy and diversity of communities.
- 3.3 The Council's budget and the Medium-Term Financial Plan for future years depend on rent income from the assets. It is, therefore, vital that the assets generate sufficient income for the maintenance and upgrading of assets, which ensures the successful delivery of Council services from the assets in the long term.
- 3.4 In the face of rapid changes in market conditions, economic uncertainty, evolving regulations, accelerating technological trends, and shifting demands, the Council must adopt an agile and adaptive asset management strategy to respond to the dynamic property landscape. This may involve doing things very differently than they have been done in the past or doing the same things more efficiently and effectively.
- 3.5 The Property and Assets Team has undergone a property management improvement journey over the past two years. In June 2023, we commissioned an independent property review by Avison Young Consultants, who were asked to identify operational and strategic improvements. Their investigations and findings are set out in the property strategy in Appendix 1.
- 3.6 The property strategy seeks to identify assets to manage, hold, invest, and dispose of to meet Borough Plan outcomes and objectives effectively and efficiently. It is proposed that a new Corporate Assets Board will do the decision-making, comprising Lead Member and officer representation, supported by the policy framework in Appendix 2.

4.0 Background

External and Organisational Context

- 4.1 The context in which we live and work is defined by volatility, uncertainty, complexity, and ambiguity (VUCA). Rare and unpredictable events are becoming more consequential, and the unexpected almost always pushes in a single direction - towards higher costs. This is also the baseline from which we must manage our assets. Doing so requires that corporate asset strategies invest in preparedness (rather than prediction) and be responsive, agile, and

adaptable. The property portfolio's full potential is often not recognised despite its considerable value and impact on organisational finances. This is no longer a time when the property portfolio can merely be viewed as a static resource to be managed as best it can with diminishing means.

Property Review

- 4.2 The property portfolio is a collection of assets of significant magnitude. An inflow of financial capital and revenue income is required to maintain physical capital (compliance, repairs, refurbishments, and upgrades) and pay for overheads. Income streams from the rent generated support the budget and set the financial constraints within which operations must take place to ensure a balanced budget.

Overview of portfolio:

- 4.3 The following table provides a breakdown of the different uses by property and the rent income for each category:

Use	No. of Assets	sq m	Total Passing ¹ Rent p/a
Community	54	19,110	£528,081
Leisure	12	10,347	£216,851
Retail	14	3,462	£47,410
Office	12	33,568	£1,448,382
Other	8	2,205	£83,248
Veolia contract	6	1,097	-
Total:	106	69,788	£2,323,972

Rent arrears:

- 4.4 The level of arrears is c.£700k as of quarter 3 of the financial year 2023/24. Approximately £418k of arrears have been written off regarding COVID-19 arrears assessed as uncollectable. A tailored approach has been adopted to recover the balance from tenants. This includes reaching out to tenants when rent becomes overdue to understand their situation and discuss potential solutions, such as establishing repayment plans to ensure the arrears are paid off over time. The goal is to find a solution and reach a mutual agreement, but if the tenancy is not viable in the long term, the Council can consider legal options or action.

Lease renewals:

¹ Rent receivable in accordance with the lease(s), which may be different from the market rent.

- 4.5 Thirty-six leases have expired where tenants are holding over. Officers are issuing 'friendly' Section 25 notices to these tenants to formally progress lease renewals under Section 25 of the Landlord and Tenant Act 1954. A "friendly" notice ends the existing lease but confirms that the Council is prepared to enter a new lease and initiates the process for triggering renewal negotiations (and the ability to charge an interim rent). This is a statutory process and can take between 6 and 12 months from a notice being issued. There are fourteen unregulated tenancies without formal agreements and work has begun on regularising occupancies with the tenants.

Rent reviews:

- 4.6 A rent review is a periodic assessment of the rent paid by the tenant to the landlord and is included in the lease agreement. Rent reviews can occur at specific periods, such as annually or longer intervals, usually determined on open market rent, indexed rent, fixed increase or other agreed-upon factors. We have experienced delays in completing the necessary assessments and negotiations required for the rent reviews. We are actively working to address these issues and expedite the review process. Approximately thirty-one rent reviews are being reviewed for activation by officers.

Health and safety compliance:

- 4.7 A tenant who occupies a property under a Fully Repairing and Insuring lease (FRI) remains wholly responsible for health and safety compliance. Where a tenant occupies a property under an Internal Repairing and Insuring lease (IRI), the Council remains responsible for health and safety compliance regarding communal areas within multi-let buildings. To increase health and safety awareness among tenants, officers have written to all tenants reminding them of their health and safety obligations, raising awareness of health and safety issues and requesting copies of certificates and risk assessments (such as for fire, gas, electric and legionella etc.) that confirm that the property complies with relevant health and safety regulations and standards. To date, fifty-three responses have been received, and officers will continue to gather compliance evidence or identify gaps.

Energy Performance:

- 4.8 Minimum Energy Efficiency Standards (MEES) are a set of regulations aimed at improving the energy efficiency of properties. Their primary goal is to contribute to the UK's net-zero carbon emissions target by 2050. Under these regulations, a minimum energy efficiency standard must be met before a property can be legally let or sold. Improving the energy efficiency of assets is, therefore, a strategic priority.
- 4.9 Current EPC ratings run from A to G, with buildings rated A considered the most energy efficient and those placed G the least. From 1 April 2023, all existing properties must have an EPC rating of E or above. This means that unless an exemption applies, landlords with properties with existing tenancies must take steps to implement all possible cost-effective energy efficiency improvements

prescribed by MEES. If a property has an EPC of F or G, it will be unlawful to let it out to a tenant (unless exempt).

4.10 Exemptions include vacant properties which do not require an EPC and properties that are not cost-effective to upgrade. The Property and Assets Team has carried out data analysis on the portfolio, which shows the following:

- Thirty-four properties have an EPC rating of E and above.
- Four properties with an EPC rating below E. Further investigations will be conducted to see if the EPC rating can be improved cost-effectively.
- Forty-eight properties without an EPC rating record. These will be carried out as soon as possible.
- Twenty voids are exempt from the EPC rating.

4.11 The MEES regulations make clear that the landlord is responsible for funding and carrying out any improvement works needed to bring a property's EPC rating up to an E or above. However, depending on the lease agreements and service charge arrangements, recovering the work costs from tenants may be possible.

4.12 To ensure compliance with energy standards, officers will take the following steps:

- Instruct a qualified person to carry out an EPC survey on all assets that do not currently have an EPC certificate.
- Following an energy performance review of all assets, the Property and Assets Team will consider whether an individual property's energy performance can be improved cost-effectively. Such improvements can include the following:
 - a) Insulation: Enhancing insulation in walls, roofs, and floors can reduce heat loss, improving energy efficiency.
 - b) Efficient Heating Systems: Upgrading to high-efficiency boilers or heat pumps can significantly reduce energy consumption.
 - c) Renewable Energy: Installing solar panels or other renewable energy sources can generate clean electricity, lowering reliance on grid power.
 - d) Energy-Efficient Appliances: Using energy-efficient appliances and lighting fixtures can reduce electricity consumption.
 - e) Air Tightness: Sealing drafts and improving air tightness prevents heat loss, leading to energy savings.
 - f) Intelligent Controls: Implementing smart thermostats and lighting controls can optimise energy usage based on occupancy and preferences.
 - g) Behavioural Changes: Educating occupants about energy-saving habits, such as switching off lights and appliances when not in use, can contribute to energy efficiency.
 - h) Ventilation: Installing efficient ventilation systems can maintain indoor air quality while minimising energy loss.

- 4.13 The risks of existing assets being identified with an EPC rating of E or lower are low based on the large sample of properties with an existing EPC of E or above in place.
- 4.14 Properties considered exempt per the MEES regulations will be registered on the Government's Private Rented Sector (PRS) Exemptions Register.
- 4.15 However, as owner and landlord, the Council will be required to act on properties that do not meet the current MEES regulations and are not considered exempt. This may have capital funding implications. Where properties need upgrades to improve energy performance to meet MEES regulations, a business case will be prepared for approval of the costs of the upgrade. Implementing energy-efficient upgrades can require significant upfront investment, which may not be feasible, especially if the return on investment is not immediately apparent (limited access to reliable data on energy usage and building performance can hinder efforts to identify areas for improvement and track progress). Older buildings may have outdated or complex systems, making implementing measures without major renovations challenging.

Accessibility of assets:

- 4.16 The primary legislation governing accessibility in property is the Equality Act 2010, which prohibits discrimination against disabled people in various aspects of life, including access to buildings and services, and along with building regulations, provides specific guidelines for accessibility features.
- 4.17 Accessibility in property refers to ensuring that buildings, facilities, and amenities are designed and constructed to allow equal access and usability for people with disabilities. This includes wheelchair ramps, elevators, accessible parking spaces, tactile signage, and restrooms designed for wheelchair users. Compliance with accessibility standards and universal design principles is crucial to ensure assets accommodate all individuals and provide inclusive environments, not only for people with disabilities but also for a broader range of users, including older adults and families with young children.
- 4.18 Data on accessibility standards within our assets let to tenants is lacking. Therefore, improving accessibility will first involve conducting accessibility audits and seeking information from tenants on the current state of accessibility of the assets. This will identify areas that need improvement to comply with regulations and standards and enhance inclusivity. This may include the following enhancements:
- Retrofitting the property with accessibility features such as wheelchair ramps, elevators, automatic doors, parking spaces, tactile signage, and accessible restrooms.
 - Installing clear and easy-to-read signage throughout the property, including directional signs, room numbers, and labels for accessible facilities.

- Implementing accessible communication methods such as Braille signage, large print materials, and auditory signals for individuals with visual or hearing impairments.
- Training property staff on accessibility awareness and best practices for assisting customers or visitors with disabilities.
- Obtaining feedback from individuals with disabilities to identify areas for improvement and ensure that the property meets their needs effectively.
- Incorporating universal design principles into property renovations (e.g. new leases on voids) to create spaces that are usable by people of all ages and abilities.
- Regularly maintaining accessibility features to ensure they remain in good working condition and continue to meet the needs of users with disabilities.

4.19 To promote compliance with regulations and standards and inclusivity, the Property and Assets Team will undertake a proactive campaign with tenants, in the same way that it has recently done with health and safety awareness, to foster a culture of inclusivity within assets by promoting awareness and understanding of accessibility issues among tenants, their employees, and visitors and users.

4.20 Accessible properties often command higher rental rates or sale prices due to their broader appeal. Furthermore, welcoming all individuals, regardless of their abilities, creates a legally compliant, more inclusive, and welcoming environment. Committing to accessibility will enhance the Council's reputation and attract a wider clientele.

4.21 Ensuring accessibility to property is a strategic priority and crucial to responsible business practices and legal compliance. By understanding accessibility requirements, implementing effective compliance strategies, and embracing the benefits of inclusive design, the Council can strive to create accessible spaces that welcome and accommodate everyone.

4.22 There will be many barriers to improving accessibility in properties. These include architectural constraints, lack of awareness or understanding of accessibility requirements, cost considerations, and resistance to change from landlords or tenants. Retrofitting existing buildings to meet or improve accessibility standards can pose logistical challenges and require significant time and resources. Accessibility audits have been prioritised within the action plan to enable proactive steps to ensure legal compliance, followed by exploring possible enhancements over and above minimum legal requirements.

Voids

4.23 When a property becomes vacant (void), the options to bring it back into use include 1) marketing the property for lease to attract new tenants, which is the most common option, 2) renovation, refurbishment, redevelopment or repurposing for a different type of use or 3) temporary use such as meanwhile uses and 4) disposal for capital receipt. There are currently twenty vacant properties in the portfolio, and officers are reviewing each property to determine the best course of action based on the specific circumstances.

Opportunities

4.24 Despite the constraints and challenges, a new landscape provides real opportunities for assets to play a more significant and positive role in supporting the Borough Plan. The property strategy developed by Avison Young and the Property and Assets Team pulls together all aspects of the asset management process - from maintenance, compliance, development, value-creation, disposal, and everything in between to ensure the assets keep pace with change (the rate of change (based on key business indicators such as labour, productivity and spending) affecting organisations has risen steadily since 2019, by 183% over the past four years and by 33% in the past year alone²).

4.25 The Chartered Institute of Public Finance and Accountancy (CIPFA) states that the starting point for the effective management of public sector assets must be about the following:

“Delivering the corporate objectives and priorities of the organisation through the management of assets.”

4.26 While asset management within the context of the Council will always include an element of (often necessary) reactive, officer and political leadership, CIPFA emphasises an appreciation of:

- the resources required to keep public sector assets maintained and safe;
- the impact that assets can have on future financial forecasting;
- the full potential of the organisation’s assets to add value through income generation and the contribution they can make to the delivery of corporate objectives and priorities;
- the knowledge and skills required for delivering new assets and their ongoing maintenance.

4.27 Over the past decade, asset management strategies have often failed to keep pace with rapid and unpredictable change, resulting in deep problems, diffusion of best practices and functional fixedness. The condition of many buildings has gradually, and often imperceptibly, deteriorated, and some of those vacated have become neglected and derelict, resulting in missed or delayed opportunities for generating capital receipts from disposals or revenue income from repurposing of the assets. Building safety can also start to suffer. As asset management resources are reduced or operating reactively, information from condition surveys can lapse, and safety activity by premises-responsible people may become sporadic. This increases the danger to staff and the public from structural defects, legionella, fire and electrical safety, etc. While it is difficult to perform all activities as productively as specialists, what were once believed to be real trade-offs – between defects and costs, for example – have been illusions created by poor operational effectiveness.

² Accenture 2024.

- 4.28 The strategy emphasises the role of asset managers as advocates and champions of proactive strategic asset management. The plan seeks to articulate clearly what can be achieved if asset management activity can be focused on delivering the organisation's corporate objectives. After almost a decade of strategic drift resulting from rapid external change and volatility, the development of the strategy is an opportunity for the organisation to commit and embed leadership and strategic direction into asset management.

Vision

- 4.29 The stakeholder consultation described in paragraph 1.3 has led to the creation of a unifying and galvanising vision for the property portfolio as follows:

“Our vision is to create a sustainable, compliant and diverse property portfolio which contributes to thriving communities, enhancing the local economy and improving prosperity.”

- 4.30 The vision will enable the integration of decisions, coordination, information exchange, issue and risk management, and actions - across the Council.
- 4.31 The property strategy has been tailored to the vision, making complementarities more achievable, creating rich possibilities for linking activities, and contributing to sustainability.
- 4.32 The vision fosters improvements in individual activities and fit across activities, allowing the Council to build unique capabilities and skills tailored to the strategy.

Strategic Objectives

- 4.33 The strategy will realign our work with new priorities and the Borough Plan. It offers a formal logic for the Council's property goals and seeks to orient stakeholders around them by seeking to:
- **Manage by robust processes, good data, and insights** – this means working collaboratively across the Council to drive up the quality of decision-making and understanding of broader social needs, establishing appropriate metrics to support decision-making with greater emphasis on condition data, health and safety and compliance, and ensuring the portfolio is accessible and responsive to changing demands.
 - **Create a leaner, compliant, and financially sustainable portfolio** – this means buildings that are legally compliant, functional, and well utilised, generate the required income, and support Council priorities. The portfolio must be right-sized to respond to available budgets to ensure that it is maintained in a good and safe condition, reflecting the highest needs, minimising waste and promoting resource efficiency.

- **Dispose, repurpose, or redevelop properties no longer required** – this means building in flexibility to enable the Council to adapt to changing needs or redevelop surplus land and buildings. The Council will prioritise costly, poor-quality properties for disposal, recycling capital receipts or resource savings to improve the condition and environmental performance of our retained portfolio.

Strategic Themes

4.34 The essence of strategy is in the activities, and a strategic position is only sustainable if there are trade-offs with other positions. The quest for productivity, quality, and more excellent value to stakeholders has led to developing critical themes as set out below. They enable choosing a different set of activities to deliver a unique mix of value and boost efficiency in specific circumstances:

- **Strategic Hold:** This segment comprises properties vital to enable the delivery of the Council's priorities and are unlikely to be easily replaced.
- **Actively Manage:** Active Management opportunities have the potential to improve performance and secure "Quick Wins" for relatively little investment.
- **Invest and/or Repurpose:** Investment and repurposing opportunities have the potential to unlock significant upsides and meet strategic priorities.
- **Dispose:** Low-value, high-cost properties with poor growth prospects should be disposed of to avoid significant expenditure with subpar returns and raise capital for re-investing in retained assets.

4.35 The proposal is that a new Corporate Assets Board will determine the approach to the above themes in line with the draft policy framework set out in Appendix 2, which will be refined further following consultation and engagement with affected stakeholders.

4.36 Under s123 of the Local Government Act 1972, the Council must obtain the best price or terms ("best consideration") when disposing of any interest in land or property. The Council must ensure that it receives fair value for any assets it sells or transfers while considering market conditions and other relevant factors (such as economic or social well-being). The aim is to safeguard the local community's interests and ensure transparency and accountability in the disposal or transfer of public assets. The property strategy ensures that economic and non-economic factors are integral to decision-making.

4.37 The Council has a long history of working in partnership with the voluntary and community sector (VCS), which plays its part in tackling poverty, inequality, climate change, and other socio-economic challenges. VCS fill gaps, complements, replaces or offers an improvement on public sector service

provision. The very diversity of cultures in Brent has given rise to value and mission-based organisations that are dedicated to supporting different sections of the community, many of whom depend on support from the Council (and other mainstream funders and donors) to deliver 'specialist' services to meet the various needs of these diverse communities. Many of these organisations have difficulty accessing property assets to provide their services and depend on leasing opportunities from the Council or the open market. Leasing benefits organisations by allowing the use of a scarce asset for much less than the outright purchase price of the asset.

4.38 Social value creation within the asset portfolio takes place along a value continuum as follows:

- Economic value: Financial return on investment for which there are universally agreed measurement standards. The Council lets properties for market rent, and, in most cases, the tenant maintains the property at their own expense.
- Socio-economic value: This type of value lies in the middle of the continuum and may include activities that generate cost savings for the public system or deliver essential community services, such as park cafés or nurseries.
- Social Value: The value created when resources, inputs and processes are directed to creating social outputs and outcomes to meet a wide range of needs (Social Return on Investment).

4.39 When VCS rent properties from the Council, the Council often offers rent discounts to make leasing affordable and support social value creation. For the property strategy, social value creation is “the mission to bring about change in a specific socially oriented way rather than to provide an economic return on investment”. In the context of the Council, this means leasing properties to VCS that care for our most vulnerable and improve health, quality of learning, equality, activity and well-being, amongst other things (while foregoing full or partial rent). However, the Council does not always understand the social impact (i.e. social return on investment) of these rent discounts because of a lack of social value measurement in this context or the significant challenges in terms of the cost and resources to measure it over time.

4.40 There will always be elements of social value creation that stand beyond measurement and quantification. However, at the very minimum, social value measurement can help the Council organise and systemise its experience of social value creation in the borough, test the value of social programmes, and control and regulate rent discounts to help meet the Council's priorities. While different approaches are likely required for varied programmes and contexts, the overall approach must consider assessing the impact of initiatives, projects, or organisations on society beyond financial metrics. Some ways to measure social value, notwithstanding the complexity and challenges, include:

- Engaging with stakeholders to understand their perspectives, needs, and priorities regarding the social value being created.
- Focusing on outcomes rather than outputs where possible, measuring the actual changes or benefits experienced by individuals or communities due to the initiative.
- Calculating the social return on investment by quantifying the social, environmental, and economic value generated compared to the resources invested.
- Developing specific metrics tailored to the context and objectives of the initiative, considering indicators such as improved health outcomes, increased educational attainment, or enhanced community cohesion.
- Supplementing quantitative data with qualitative insights through ward Member engagement, interviews, surveys, focus groups, and case studies to capture the diverse dimensions of social value.
- Benchmarking performance against similar initiatives or industry standards to contextualise results and identify areas for improvement.
- Considering the long-term implications and sustainability of social value creation, including unintended and intergenerational impacts.
- Communicating findings transparently and holding organisations accountable for their social impact by regularly monitoring and reporting progress and outcomes.

4.41 By adopting a multi-dimensional approach and integrating diverse methods, the Council can better understand, measure, and optimise VCS's contribution to social value.

4.42 In the current environment, with high demand for the limited number of properties available for rent, consideration will need to be given to how we support and encourage better demonstration of the services delivered and the social impact achieved by the VCS.

Distinct Sub-Strategies

4.43 The Property Strategy is supported by several sub-strategies, which provide more detail about the ambition and action planned in these areas. The principles of the overall property strategy will inform each sub-strategy. Still, each has a different emphasis - some more focused on service transformation, others with a greater focus on a smaller, better, sustainable portfolio. These sub-strategies are set out in Appendix 1 and include an emphasis on:

- **Financial strategy** – ensuring we maximise the utilisation of expensive and scarce resources and work within the structural built-in limits. This means ensuring all new tenancies and lease renewals reflect market rents and ensuring rent discounts provided are supported by measurement strategies to prevent under/overvaluation of social value. There will be a focus on income growth through operational and strategic measures to ensure income exceeds or keeps pace with rising costs. A more commercial approach to managing tenancies will help align primary

and support activities and the direct and indirect value-creation activities within these categories.

- **Operational strategy** – ensuring all assets are fully health and safety compliant and tenancies regularised either by lease or licence, with rent reviews and lease renewals carried out promptly. Ensuring standard procedures are followed when dealing with arrears, breaches of leases, and non-compliance to strengthen the correlation between cash inflow and rent billed.
- **Marketing strategy** – ensuring that voids available for letting are advertised on the open market and bids assessed by financial and social value measures to ensure fairness and transparency in the lettings process, thereby minimising the risk of challenge on decisions the Council takes about allocating and charging for buildings leased.
- **Data strategy** – Information is a crucial resource and costly to obtain once lost. The scarcity of information increases the risk to decision-makers. A professional case management system will ensure we can store, retrieve, and maintain property data, look at how well the portfolio works and contributes to what is needed, and examine core components such as financial and social outputs for evidence-based decision-making. High-quality data will provide the perspective to recognise trade-offs and enable us to take advantage of rapidly evolving technology and digital trends to improve stakeholder service.

Putting it all together and doing things better

4.44 An action plan has been developed (page 30 of the property strategy in Appendix 1), which includes commitments to:

- *Finalising the strategy with stakeholders, Scrutiny and Cabinet and reinforcing the desired change through operational design.*
- *Assuring that the organisation is legally and regulatory compliant in managing its assets and that monitoring data is available to meet statutory requirements (in line with CIPFA's Compliance and Monitoring best practice guidance). Officers have recently written to all its tenants to remind them of their health and safety obligations and raise awareness of health and safety issues.*
- *Maximising income and revenue from the assets and effectively balancing this with ensuring the assets support social value creation. The target income collection rate will be set at 96%. Moving all tenants to direct debit with rent payments over time (direct debit with rent payments will be compulsory on all new leases and lease renewals).*
- *Increasing levels of professional accreditation, such as AssocRICS or MRICS, skills, leadership, and talent management to improve expertise, ensure we better reflect the communities we serve and develop the*

capabilities we need to secure strategic change and improvement. In 2023, two staff members achieved chartered surveyor status through RICS; more will follow in 2024. The property department supports several graduate and apprenticeship schemes and a multi-skilled workforce.

- Continuing to improve the quality of our property data and how we use it to inform our asset management plans and portfolio strategies. In 2023, officers have taken significant steps to improve portfolio, condition, RAAC and health and safety data. Progress will continue to be made to 100% compliance.*
- Developing greater standardisation, consistency and transparency through consistent use of promising practice approaches and processes, in line with RICS³ and CIPFA guidance, improves the service's stakeholder experience.*
- Identifying key performance indicators with a clear purpose for each element of the property strategy. The intention is to provide transparency through annual reporting against all of these, with targets developed at the portfolio level for identified metrics.*
- Maximising the capabilities, operational resources and tools to make the strategy happen in practice. This will mean implementing a more rigorous and structured approach to cost reduction, revenue growth and debt management. When appraising options, select the most appropriate option in a robust, transparent and accountable way.*
- Ensure all expired leases are renewed and regulated. Currently, thirty-six leases have expired and are in the process of renewal through the s25 notice procedure. There are a handful of unregulated occupancies, and officers are actively engaged with tenants to regularise occupation via lease or licence arrangements. By statutory timescales, the process to regularise occupancy and renew leases can take up to 12 months but can be sooner if an agreement is reached.*

4.45 Officers have been keen to ensure that the property strategy:

- Reflects the voices of colleagues, senior Leaders and elected Members in the vision, issues and opportunities statements - and makes the compelling case for change.
- Ensures a golden thread runs from the strategy's objectives through the vision and into the recommendations.
- Sets out clear recommendations and an implementable phased programme and action plan.
- Advocates collaborative working and a new Corporate Assets Board to avoid a purely functional view of value and ensure that the organisation's

³ Royal Institute of Chartered Surveyors.

whole 'mind' is in action to tackle the significant financial, environmental and social challenges ahead.

- 4.46 The do nothing - maintain the status quo - approach will invariably lead to a deteriorating portfolio, inefficiencies, reduced income, and strategic drift. Alternative strategies considered and discounted comprise overly narrow goals, such as solely focusing on financial return on investment or social value creation or disposal. Ultimately, the Council's portfolio is required to meet diverse social needs while remaining financially sustainable. The proposed strategy ensures that economic and non-economic factors are integrated into decision-making, forging an unbreakable link with Borough Plan priorities.
- 4.47 Strategic choices will necessitate difficult trade-offs as we seek to align the unique bundle of property assets with the Borough Plan. The property strategy is a cohesive response to the challenges and obstacles ahead.

5.0 Stakeholder and ward member consultation and engagement

- 5.1 Consultation with internal stakeholders has taken place to gather feedback and input, shaping the property strategy's vision and objectives. The engagement has included one-to-one interviews and workshops with the Senior Leadership Team and the Policy Co-ordination Group. The consultation remains at the centre of the development of the proposal, and further engagement is planned to ensure input from the Council's stakeholders.
- 5.2 Property and Assets Team officers will engage with the Director of Communities to agree on an appropriate action plan/approach for VCS-specific engagement.

6.0 Financial Considerations

- 6.1 If we proceed with the strategy, there will be cost implications that need to be funded by the department or alternative proposals put forward.
- 6.2 Some condition data will be costly and time-consuming, for example, condition and compliance surveys; this could be mitigated through prioritisation based on desk-top surveys and existing condition information.
- 6.3 The strategic options are likely to result in future capital expenditure. These will be subject to a business case through the capital programme governance process. The capital pipeline and forward plan of capital projects include a provision for strategic property and asset management priorities. The property strategy consists of the option to dispose of surplus properties, which would generate capital receipts to fund other aspects of the plan.
- 6.4 Funding would be required for a professional case management system to improve the quality and management of data and will require a business case and procurement exercise to establish the cost.
- 6.5 Funding would be required to ensure compliance, such as for energy performance (EPC), RAAC and electrical safety where risks are identified.

These would be assessed on a case-by-case basis, and the cost of specialist surveys will vary depending on the property type and size. Once we are compliant on specific properties, we may unlock opportunities for further income generation.

7.0 Legal Considerations

- 7.1 Occupation of the portfolio is primarily regulated and governed by the Landlord and Tenant Act 1954 and s123 of the Local Government Act 1972 (best consideration), amongst other legislation.
- 7.2 The Council has a broad power to dispose of property held in the general fund in any manner it wishes subject to an obligation to do so for the best consideration reasonable obtainable. This obligation is concerned with outcome and not process, and consideration means commercial or monetary payment rather than broader policy benefits.
- 7.3 The Council can also dispose of property held in the general fund for less than market value provided that consent is obtained from the Secretary of State. The Local Government Act 1972 General Disposal Consent (England) 2003 is a wide-reaching consent that allows disposal at an undervalue to promote economic, social or environment wellbeing. The difference between the market value and the consideration must not exceed £2 million, and a "professionally qualified valuer" must give a view as to the likely amount of the undervalue. If open space will be disposed of then there are additional publicity requirements.
- 7.4 The key regulations governing EPC are the EPC Regs 2012, SI 2012/3118, and the Building Regs 2010, SI 2010/2214. An EPC is required when an existing building is sold or rented out. Enforcement of the EPC regime is by the local weights and measures authorities (through trading standards officers). These officers can request that a copy of the EPC recommendation report or inspection report is provided to them within seven days of request. Penalties are set out in EPC Regs 2012, SI 2012/3118, reg 38 and breaches connected to non-dwellings could lead to fines of between £500 and £5,000, depending on the rateable value of the building. In most cases the fine is set at 12.5% of the rateable value of the building, subject to a minimum fine of £500 and a maximum fine of £5,000, with a default penalty of £750 where the formula cannot be applied.
- 7.5 The relationship between landlord and tenant is typically governed by leases, licences or tenancy at will, which set out the rights and obligations of the parties, lease renewal and termination procedures, and health and safety obligations.
- 7.6 The Landlord and Tenant Act 1954 can confer tenants with protection known as security of tenure, which can limit options for the landlord.
- 7.7 The Council can use various legal tools to actively manage the portfolio, such as s25 notice, forfeiture, surrender or tenant's notice to quit.

7.8 The Council's Constitution sets the delegated authority limits for individual property transactions unless waived by the Cabinet. These limits are set out in Part 3 of the Constitution.

8.0 Equality, Diversity & Inclusion (EDI) Considerations

8.1 Officers have conducted an initial equality impact assessment to investigate whether the property strategy and associated policy framework disproportionately affect people with a protected characteristic under the s149 Equality Act 2010 and the Public Sector Equality Duty. It is noted that people who share protected characteristics benefit from the services provided by organisations that are Council lessees. EDI considerations are integral to the property strategy's purpose, content, and recommendations.

8.2 The initial assessment concludes that the property strategy has a neutral to positive impact on EDI considerations. This is because it highlights the importance of promoting equality, eliminating discrimination, and fostering inclusivity in managing and utilising Council-owned buildings. By implementing the recommendations outlined in this report and adopting a proactive approach to equality and diversity, the Council can ensure that buildings serve as inclusive and accessible spaces that benefit all community members, regardless of their protected characteristics.

8.3 Further engagement with stakeholders, such as VCS organisations renting properties from the Council, is required to understand the potential impact of the proposed strategies and policies. Officers will develop an action plan in conjunction with the Director of Communities to engage stakeholders and capture their feedback and concerns. By conducting this engagement, officers aim to identify any differential effects or barriers experienced by individuals or groups with protected characteristics under the Equality Act 2010, and this will lead to an updated equality impact assessment and proactive steps to promote equality and eliminate discrimination.

9.0 Climate Change and Environmental Considerations

9.1 The Council is working towards a decarbonisation strategy for Brent's estate, as noted within the 2022-2024 delivery plan. Officers are taking steps to ensure properties in use meet the current minimum EPC 'E' or above rating requirements.

10.0 Human Resources/Property Considerations (if appropriate)

10.1 Immediate human resource implications pertain to the requirements for a suitably qualified and multi-skilled workforce to enable change and the delivery of the property strategy, and these are outlined in the main body of this report and property strategy.

11.0 Communication Considerations

11.1 Communication has been a critical component in developing the vision and strategy, and this will continue through the Scrutiny Committee and then formal adoption via Cabinet.

Report sign-off:

Minesh Patel

Corporate Director of Finance and Resources