

	Cabinet 9 September 2024
	Report from the Corporate Director of Finance and Corporate Resources
	Lead Member – Deputy Leader & Cabinet Member for Finance and Resources (Councillor Mili Patel)
Property Strategy	

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	Two Appendix 1: Property Strategy Appendix 2: Equality and Diversity Impact Assessment
Background Papers:	None
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1.0 Executive Summary

- 1.1. The Council's property assets are fundamental in supporting the delivery of the 2023-27 Borough Plan objectives, providing essential business accommodation and community infrastructure. The property strategy, developed in collaboration with stakeholders, aims to optimise the social, economic, and environmental benefits of the Council's assets through a strategic, systematic, and data-led approach to decision-making.

- 1.2 The volatile external context and an initial review of the Council's property portfolio highlighted the need for a more agile and adaptive property strategy. The strategy proposes categorising assets into four themes: 1) Strategic Hold, 2) Actively Manage, 3) Invest, and 4) Dispose. This categorisation will help manage assets proactively to meet the Borough Plan's objectives and compete effectively in an evolving market.
- 1.3 A significant strength of the proposed property strategy is that its strategic themes are underpinned by a set of principles which can be adapted to changing needs and socio-economic factors without altering the overall strategic direction.
- 1.4 A diverse set of principles for each strategic theme emphasises the importance of local context in decision-making (place-based leadership), contrasting with the more placeless or detached standard asset management decision-making, which tends to focus on limited performance criteria.
- 1.5 A detailed asset review forms an essential part of the action plan. We will develop a scoring system to assess individual assets' strengths and weaknesses, cost and benefits, and consider how best to balance various, sometimes competing, critical elements to ensure the portfolio provides maximum impact and value to the community and the Council.
- 1.6 As part of our property strategy, we are committed to driving significant improvements in the operational performance of our property portfolio. Our approach encompasses vital areas critical to ensuring our portfolio's long-term sustainability, such as health and safety, accessibility and energy performance.
- 1.7 Following the completion of estate condition surveys and building fabric assessments in July 2021, the Facilities Management (FM) team has identified the need for £8.2 million in capital funding for the fiscal years 2024/25 to 2026/27. This funding will support essential building improvement projects to maintain optimal operating standards and ensure staff satisfaction across the retained properties.

2.0 Recommendation(s)

Cabinet is asked to:

- 2.1 Note the contents of this report, the new vision, strategic objectives, and themes.
- 2.2 Adopt the property strategy in Appendix 1.
- 2.3 Approve a capital budget allocation of £8.2 million over the next three fiscal years to fund necessary asset maintenance and building improvement projects regarding FM operational estate buildings, as set out in paragraphs 3.2.18 to 3.2.20.

3.0 Detail

3.1 Cabinet Member Foreword

- 3.1.1 In navigating unprecedented change, the Council must implement a progressive property strategy to build a thriving and sustainable property portfolio for Brent's diverse community. This strategy is more than asset management for rental income; it provides a framework for leveraging our properties to drive economic growth, environmental sustainability, and social value.
- 3.1.2 Our vision is to create a sustainable, compliant, diverse, and carbon-neutral property portfolio that fosters thriving communities, enhances the local economy, and improves prosperity. Achieving this vision requires a collaborative approach, engaging residents, businesses, and community organisations to align our efforts with community needs and enhance our collective potential.
- 3.1.3 The property strategy sets a course for adaptation, evidence-based decision-making, embracing change, and reimagining the potential of our property assets. Central to this strategy is a proactive approach to asset management, ensuring every decision supports our Borough Plan 2023-27 and paves the way for a more equitable future for all of Brent.
- 3.1.4 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 delivering socio-economic objectives. The portfolio comprises diverse uses—community centres, retail units, leisure, and office space—and has the potential to contribute to all strands of the Borough Plan.
- 3.1.5 The Council's varied property assets can contribute to Council priorities in various 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. The Council's diverse property portfolio has supported health inequalities by providing a range of facilities for use by public sector bodies and charitable organisations, ensuring services are accessible to all community groups.
- 3.1.6 The Council's budget and the Medium-Term Financial Plan (MTFP) for future years depend on rent income from the assets. Therefore, the assets must generate sufficient income for maintenance and upgrading, which ensures the successful delivery of Council services from the assets in the long term.
- 3.1.7 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 property 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.

3.1.8 The Property Strategy will form a vital part of the Council's Change Programme, a cross-council, multi-year programme that will support the Council to become more resident-centric, drive community power, and contribute to place-making ambitions. The specific Property & Assets workstream will also support Asset Management, Asset Sustainability, and Community Engagement around the estate and enable the co-location of services in targeted localities.

3.2 Background

Vision

3.2.1 The consultation process 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, diverse, and carbon-neutral property portfolio that contributes to thriving communities, enhances the local economy, and improves prosperity.”

3.2.2 The vision will enable the integration of decisions, coordination, information exchange, issue and risk management, and actions across the Council.

Strategic Objectives

3.2.3 The strategy offers a formal logic for the Council's property goals and seeks to orientate stakeholders around them by seeking to adopt the following strategic objectives:

- **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 Voluntary and Community Sector (VCS) needs.
- **Create a leaner, compliant, and financially sustainable portfolio** — this means buildings that are legally compliant, fully functional, optimally utilised, generate the necessary income and support Council priorities.
- **Dispose, repurpose, or redevelop properties no longer fit for purpose** — this means building in flexibility to enable the Council to adapt to changing needs or redevelop or dispose of surplus land and buildings to preserve the portfolio.

Strategic Themes

3.2.4 The quest for productivity, quality, and more excellent value for stakeholders has led to developing key themes, as set out below. They enable choosing a different set of activities to deliver a unique mix of value and boost efficiency in various circumstances under the following strategic themes:

- **Strategic Hold:** This segment comprises properties vital to delivering the Council's priorities and 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:** Investment and repurposing opportunities have the potential to unlock significant upside and meet strategic priorities.
- **Dispose:** Low-value¹, high-cost properties with poor growth prospects should be disposed of to avoid degradation and raise capital for investing in retained assets.

3.2.5 The property strategy is an ambitious document that will realign our work with new priorities and the realities of living, working, and investing in the borough. Under the new strategy, the property portfolio will be managed to ensure that properties are fit-for-purpose, secure, and compliant with present and forthcoming environmental policies and regulations.

3.2.6 As part of the strategy delivery, we will develop a scoring methodology to ensure that buildings are appropriately aligned to one of four strategic themes. The approach will be required to balance economic and community benefits and ensure that properties are used to benefit the local areas in which they reside.

3.2.7 The Property and Assets Team have begun an improvement journey, identifying necessary operational improvements to support the strategy under a dedicated continuous improvement project called 'Alaska 6' with a member of staff driving the progress full-time. The key enhancements include:

- Health and safety compliance
- Minimum Energy Efficiency Standards Regulation (MEES) compliance
- Reducing rent arrears and improving income management
- Implementing rent reviews
- Improving accessibility
- Lease renewals and regularisation of tenancies

3.2.8 The project is expected to be completed within 12 to 18 months. These operational enhancements support the property strategy, improve legal compliance, and generate financial, social and environmental benefits.

3.2.9 As of Q2 2024/25, the outstanding debt totals £824,090. Repayment plans covering £450,453 have been established, with a maximum repayment term of two years. Efforts are actively being made to address the remaining balance of £373,637, including legal action, rigorous enforcement of rent repayment schedules, and the write-off of irrecoverable debts.

¹ Relative to cost.

- 3.2.10 A survey has been sent to all tenants to evaluate the accessibility of the properties they occupy. This feedback will help us identify areas for improvement, ensure compliance with the Equality Act 2010, and enhance the overall customer experience. The Council's property strategy is dedicated to improving the management and accessibility of our assets to serve the entire community better.
- 3.2.11 Out of 109 properties, 45 have Energy Performance Certificates (EPCs) with ratings ranging from A to E. Additionally, two properties are rated G, with one being void and exempt. An independent EPC surveyor is assessing the remaining properties at a rate of 2-3 per week. Extrapolating from current data, most assets will likely meet or exceed the current minimum standards. Properties below the minimum E rating will be assessed for energy efficiency upgrades. If the costs of these upgrades cannot be recouped through energy savings within seven years, the "7-Year Payback" exemption under Regulation 28 may apply. Given the likelihood of rising minimum rating standards, the EPC surveyor's recommendations will be considered to ensure the properties are future-proofed when upgrades are implemented.
- 3.2.12 Commercial tenants are legally responsible for health and safety compliance, though the Council, as the landlord, shares this responsibility in buildings with communal spaces and shared services. Officers gather essential documentation from tenants, such as electrical and gas certifications, asbestos reports, and legionella risk assessments. If tenants fail to provide the required information and proof of compliance, they may be issued a formal Section 146 notice. This notice gives tenants a reasonable period to address any non-rent covenant breaches of their lease. Failure to comply with the notice could lead to forfeiture, potentially terminating the lease before its agreed end date.
- 3.2.13 An independent surveyor was appointed to assess the commercial portfolio for any Reinforced Autoclaved Aerated Concrete (RAAC) risks. Based on his expertise, historical knowledge of the portfolio, and several site visits, he identified no RAAC risk. Since RAAC planks were used from the mid-1950s to the early 1990s, buildings or extensions constructed outside this period are likely unaffected. Concerns about RAAC are limited to its durability and structural integrity, with no evidence of other health risks. We will continue to monitor this risk as more data becomes available through the 'Alaska 6' project.
- 3.2.14 There are currently 48 outstanding lease renewals, managed through negotiated agreements and the issuance of formal Section 25 notices, which enforce statutory lease renewal timelines. So far, 14 Section 25 notices have been served, with the remaining renewals set to receive notices to ensure leases are renewed within the required timeframe. To be effective, the Council must fully leverage available legal tools, including Section 25 notices, Section 146 notices, and forfeiture proceedings, to regularise leases, recover debts, and ensure compliance. Current analysis suggests that tenants who fail to comply in one area are likely to also show non-compliance in other aspects.
- 3.2.15 Following a comprehensive lease review, ten out of fourteen outstanding rent review memorandums for non-expired leases have been prepared, with notices

issued to initiate the rent review process. The remaining memorandums will be completed shortly. This review is expected to increase rent by approximately £60,000 per annum. Rent reviews for expired leases are strategically aligned with the lease renewal process, where final rents will be determined through independent market valuations and negotiations. This approach allows us to negotiate terms that reflect current market conditions and support long-term strategic interests, supporting sustainable outcomes.

3.2.16 Table 1: Property Portfolio (in scope)

Use	No. of Assets	sq m	Total Passing ² Rent p/a
Community	54	19,110	£528,081
Leisure	12	10,347	£216,851
Retail	17	3,462	£47,410
Office	12	33,568	£1,448,382
Other	14	2,205	£83,248
Total:	109	68,692	£2,323,972

3.2.17 Properties out of scope include residential housing assets, community schools and academies, day centres, family wellness centres, most highways and assets sold under long leases.

3.2.18 Properties within the FM Operational Estate need ongoing significant investments into the assets and audio-visual equipment updates, as identified following the comprehensive estate condition surveys and building fabric assessments conducted by the Facilities Management team in July 2021. These assessments detail the necessity of upgrading and replacing building systems, components, and fabric to maintain operational standards and staff satisfaction.

The proposed funding is provisionally structured as follows (the funding structure may need to be adjusted depending on the timing of the works and other project-related factors):

- £2.9 million for the fiscal year 2024/25
- £2.2 million for the fiscal year 2025/26
- £3.1 million for the fiscal year 2026/27
- **£8.2 million in total**

² Rent receivable in accordance with the lease(s) which may be different from the market rent.

3.2.19 This budget is to be prioritised for the FM Operational Estate. The properties currently affected for the fiscal year 2024/25 include:

- Brent Civic Centre
- Family Well-Being Centres
- Kingsbury Library
- Design Works
- Bridge Park
- Willesden Green Cultural Centre
- Freeman Family Centre
- Other retained estate buildings

3.2.20 This investment will enable the Property & Assets Team to replace ageing equipment, upgrade essential building components, and enhance spaces to meet current standards and reduce disruptions. The planned improvements are critical to maintaining operational standards, reducing building failures to a minimum, ensuring legal compliance and improving staff satisfaction across the operational estate. These upgrades will also support the proactive corporate landlord strategy, ensuring that our buildings remain fit for purpose and continue to meet our staff's and the community's needs.

3.2.21 The action plan for the strategy delivery is set out below.

Table 2: Timetable

Activity	Commencement	Target completion date
Seek Cabinet adoption of Property Strategy	Sep-24	Sep-24
Asset review (strategic themes) & scoring framework	Sep-24	Mar-25
EPC reviews	Apr-24 ³	Dec-24
Accessibility audit and review	Jun-24	Dec-24
Lease renewals (s25s)	Apr-24	Jun-25
Income management (debt)	Apr-24	Ongoing
Compliance and H&S	Apr-24	Ongoing
Rent reviews	Jun-24	Nov-25
Condition surveys, additional spending required (either by landlord or tenant depending on type of lease)	Oct-24	Oct-25
Data and systems periodic review	Jan-25	Mar-25
Case management implementation	Sep-24	Mar-25

³ Note that many operational improvement activities have already begun.

4.0 Stakeholder and ward member consultation and engagement

4.1 Consultation with 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 (SLT) and senior lead members. In collaboration with CVS Brent, Officers from Property and Assets and Strategy and Partnerships have obtained feedback from the VCS. The following table of events summarises the engagement that has taken place in developing the strategy:

- Avison Young interviews with the Senior Leadership Team – August 2023
- Workshop 1 (SLT) – 20th September 2023
- Workshop 2 (PCG) – 28th November 2023
- Senior lead members – 24th January 2024
- Scrutiny – 27th February 2024
- Meeting and survey with VCS sector to obtain feedback – 29th May 2024
- Senior lead members – 24th July 2024

4.2 Throughout the development of this strategy, we have engaged in extensive discussions with a diverse range of stakeholders. Their valuable feedback has been instrumental in shaping our approach and ensuring that our strategy is responsive to the needs and expectations of all parties involved. We are committed to continuing this collaborative dialogue as we implement and refine our property strategy initiatives. In brief, stakeholder insights are summarised as follows:

- Stakeholders emphasised the importance of transparency and support for tenants in arrears, leading us to focus on proactive communication and assistance programs.
- Feedback highlighted the need for collaborative efforts with tenants to achieve energy efficiency.
- Stakeholders stressed the importance of inclusivity and compliance with accessibility standards, influencing our commitment to ongoing engagement and upgrades.
- Tenant feedback revealed a preference for flexibility and early engagement in lease renewals, shaping our proactive approach.
- Stakeholders stressed the need for transparency and timeliness in rent reviews, guiding us to adopt a structured and communicative approach.
- VCS stakeholders want affordable rents, regular feedback mechanisms, and forums for organisations to provide input and collaborate on initiatives.

5.0 Financial Considerations

5.1 If the strategy is approved, there will be cost implications that need to be funded.

5.2 Some condition data, such as condition and compliance surveys, will be costly and time-consuming; this could be mitigated through prioritisation based on desk-top surveys and existing condition information.

- 5.3 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.
- 5.4 A professional case management system to improve data quality and management would require funding, and a business case and procurement exercise to establish the cost would be necessary.
- 5.5 Funding would be required to ensure compliance, such as for energy performance (EPC), RAAC (Reinforced autoclaved aerated concrete) 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 comply with specific properties, we may unlock opportunities for further income generation.
- 5.6 To address the critical maintenance and improvement needs within our FM Operational Estate, a capital investment of £8.2 million is required over the next three fiscal years: £2.9 million for 2024/25, £2.2 million for 2025/26, and £3.1 million for 2026/27. This funding will replace ageing equipment, upgrade building and audio-visual components, and ensure compliance with current standards, thereby maintaining operational efficiency and staff satisfaction while reducing future unexpected maintenance costs.
- 5.7 This report requests total capital funding of £8.2 million for these projects, in addition to existing FM capital budgets. The associated debt financing cost will result in an annual cost of approximately £548,783 by 2026/27. Part of this will be mitigated by allocating any additional revenue generated by the Civic Centre to reduce the borrowing requirement or cover the yearly debt financing costs.

6.0 Legal Considerations

- 6.1 The occupation of the portfolio is primarily regulated by the Landlord and Tenant Act 1954 and s123 of the Local Government Act 1972 (best consideration), amongst other legislation.
- 6.2 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 reasonably obtainable. This obligation is concerned with outcome and not process, and consideration means commercial or monetary payment rather than broader policy benefits.
- 6.3 The Council can also dispose of property held in the general fund for less than market value, provided 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 environmental well-being. The difference between the market value and the consideration must not exceed £2 million, and a

"professionally qualified valuer" must show the likely amount of the undervalue. If open space will be disposed of, then there are additional publicity requirements.

- 6.4 The key EPC regulations are the Energy Performance of Buildings 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 be provided 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.
- 6.5 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. The relevant acts are the Landlord and Tenant Act 1954 and the Law and Property Act 1925.
- 6.6 The Landlord and Tenant Act 1954 can confer tenants with protection known as security of tenure, limiting the landlord's options. An alternative is to grant commercial premises leases to tenants outside the Act and not confer any tenure security to the tenants.
- 6.7 The Council can use various legal tools to actively manage the portfolio, such as Section 25 and Section 146 notices, forfeiture, surrender, break rights, or a tenant's notice to quit.
- 6.8 The Council's Constitution limits delegated authority powers for individual property transactions unless the Cabinet waives them. These limits are set out in Part 3 of the Constitution.

7.0 Equity, Diversity & Inclusion (EDI) Considerations

- 7.1 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.
- 7.2 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.

- 7.3 EDI considerations will be ongoing throughout the asset review process. Through the asset review (underpinned by a scoring methodology), officers will aim to identify any differential effects or barriers experienced by individuals or groups with protected characteristics under the Equality Act 2010. This will lead to proactive steps to promote equality and eliminate discrimination.
- 7.4 Some properties beyond economical repair or surplus to requirement may need to be disposed of, but the proceeds will be reinvested into improving the remaining properties. This approach ensures that our assets are better maintained and more accessible, ultimately serving the community more effectively and helping to reduce inequalities. A phased approach to disposal will minimise disruption and allow communities to adapt. By reinvesting in our retained properties, we will create a higher quality, more accessible portfolio that meets the diverse needs of our community, driving long-term benefits and promoting equality.
- 7.5 Given that many of our assets serve the public, we will consistently update, review, and seek to ensure their accessibility. This commitment is central to our strategy. As outlined in the Equality Impact Assessment (EIA), the engagement we plan to undertake, especially with the VCS, will be crucial in understanding diverse needs and using these insights to inform and shape our projects and workstreams.

8.0 Climate Change and Environmental Considerations

- 8.1 Leading by example is an essential principle within Brent's Climate & Ecological Emergency Strategy (2021-2030). The Council is committed to doing all in our gift to be carbon neutral as a borough by 2030. The Council is working towards a decarbonisation strategy for Brent's corporate estate as part of our 2022-2024 climate and ecological delivery plan approved by Cabinet in June 2022.
- 8.2 The carbon footprint for the Council's estate and operations (corporate estate, street lighting and fleet) was reduced by 71.4% in the most recent year, 2022/23, compared to the 2010/11 baseline. Carbon emissions from the corporate estate were decreased by 67% in this period. 2023/24 carbon emissions data will be available later this summer.
- 8.3 The Council has recently successfully bid for decarbonisation grant funding for its corporate estate; for instance, £3.2m was secured from the Public Sector Decarbonisation Programme in 2021. However, applications for such funding sources have become increasingly competitive in recent years, with schemes often oversubscribed several times. Nevertheless, the Council will continue to identify and bid for all available external funding sources to continue investing in making our corporate estate carbon neutral.

8.4 Unless exempt, the property strategy seeks to ensure properties in use meet the current minimum EPC 'E' or above rating requirements.

8.5 The minimum EPC standards will likely become more challenging over the next few years, and the property strategy must be flexible to meet these changing standards.

9.0 Human Resources/Property Considerations (if appropriate)

9.1 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 this is in place.

10.0 Communication Considerations

10.1 Communication has been a critical component in developing the vision and strategy, and this will continue via Cabinet and through the implementation and delivery phases.

Report sign-off:

Minesh Patel

Corporate Director of Finance and Resources