

Business Planning / MTFs Options 2019/20 – 2023/24

Ref: EC4

Title of Option:	Strategic Property Unit – New Income Proposal		
Priority:	Economy/Your Council	Responsible Officer:	Steve Carr
Affected Service(s):	Housing, Regeneration & Planning	Contact / Lead:	Bill Ogden

<p>Description of Option:</p> <ul style="list-style-type: none"> - <i>What is the proposal in essence? What is its scope? What will change?</i> - <i>What will be the impact on the Council's objectives and outcomes (please refer to relevant Corporate Plan 2015-18 objectives and outcomes, and Borough Plan Evidence Packs)</i> - How does this option ensure the Council is still able to meet statutory requirements? - <i>How will the proposal deliver the benefits outlined?</i> <p><i>[Proposals will be mapped to the new Borough Plan Priorities/Objectives/Outcomes as they emerge – please take account of any likely changes when framing proposals]</i></p>
<p>This proposal comprises an opportunity to achieve new income potential by starting a process of tackling the uncrystallised debt in the commercial portfolio:</p> <ol style="list-style-type: none"> 1. Existing Proposal: There is a level of uncrystallised debt in the commercial portfolio, which is estimated at circa £225k per annum. This has arisen from a backlog of outstanding rent reviews as well as tenants holding over under expired leases, where lease renewals still have to be negotiated. The existing professional staff in the Strategic Property team does not have the capacity to address this and it is proposed to secure an additional agency resource to tackle this backlog. The proposed cost of an agency surveyor through Hays is circa £75k per annum. We estimate this would achieve a net increased income to the Council during 2019/20 of £150k per annum. Update: An agency surveyor commenced at the end of June and has already made encouraging progress in inspecting units, initiating rental negotiations and achieving two rental settlements. 2. Additional Proposal: It is estimated that there is further potential to release more income, estimated at £225k per annum, from retrospective and ongoing rent reviews and lease renewals, which is beyond the capacity of existing professional staff to handle. It is proposed to recruit a second agency resource through Hays to undertake this work at a cost of circa £75k per annum to commence in September 2018. We estimate this would achieve a net increased income to the Council during 2019/20 of £150k per annum 3. In Summary, we estimate that in 2019/20 a total gross new income of £450k per annum could be achieved from rent review/lease renewal settlements given an outlay of £150k, giving a net new income flow of £300k per annum. 4. We would thus offer up £300,000 income to be set against the ongoing budget deficit of the SPU team that has arisen from the carrying cost of the supernumerary posts, which were deleted in anticipation of the HDV. 5. Note – this exercise cannot be scaled-up without further resource allocation to the property function.

2. Financial benefits analysis					
Saving / Cost <i>All savings / costs shown on an incremental basis</i>	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s
A. Gross saving	-450				
B. Revenue implementation cost (One Off Pressure)					
C. Ongoing revenue cost	150				
D. Net Saving (A+B+C)	-300	0	0	0	0
E. Saving(s) already included in MTFS 2018/23	-250				
F. New net additional saving (D minus E)	-50	0	0	0	0

Impact / non-financial benefits and disbenefits
<p>What is the likely impact on customers and how will negative impacts be mitigated or managed? <i>List both positive and negative impacts. Where possible link these to outcomes (please refer to relevant Corporate Plan 2015-18 objectives and outcomes)</i></p> <p>Rent reviews and lease renewals can give rise to issues of tenant affordability, which can be addressed through good communication and dialogue with tenants, and in some cases agreement of stepped rents or payment plans.</p>
<p>What is the impact on businesses, members, staff, partners and other stakeholders and how will this be mitigated or managed? How has this been discussed / agreed with other parties affected? <i>List both positive and negative impacts.</i></p> <p>As above</p>
<p>How does this option ensure the Council is able to meet statutory requirements?</p> <p>The Council is under an obligation to ensure it achieves best value from the commercial portfolio</p>

Risks and Mitigation <i>What are the main risks associated with this option and how could they be mitigated?</i>			
Risk	Impact H/M/L	Probability H/M/L	Mitigation
Tenant affordability	M	M	Good communication and dialogue with tenants, with agreement of stepped rents and payment plans if appropriate