

Board/Committee:	Policy and Organisation Board
Date of meeting:	18 January 2023
Title:	Adoption of commercial property asset strategy and associated new policy
Author:	Chief Executive
Status:	For decision

Purpose

This report sets out the principles of the commercial property asset strategy, together with a proposal for three new policies covering the leasing and licensing of commercial land and buildings categorised under investment assets, community assets, and a specific policy on beach huts.

Recommendation

That the Board:

1. Approves the Commercial Property Asset Strategy
2. Adopts the three policies listed below.

1.0 Background

1.1 The commercial property and land held by Gosport Borough Council has been reviewed to help shape the borough's asset management, as the portfolio had not had a comprehensive review in several years.

1.2 One of the defined outputs under the scope of the review was to establish a clearly articulated asset strategy for the Borough which would form the direction of future property management decisions.

1.3 As part of this review and the creation of the Strategy, it became clear that further policies guiding the way land and buildings are leased and licenced were needed to ensure the strategy execution in a clear, transparent, fair and equitable way.

2.0 Report

2.1 Asset Strategy

2.1.1 Each asset was externally inspected, reviewed, analysed, and considered in the creation of this overarching Asset Strategy.

2.1.2 A clear seven-point overarching asset strategy has been defined, which serves as a way to make future decisions on the management of the commercial property portfolio, called the Seven Strategic Aims: -

1. Properties that support the delivery of core and statutory council services
2. Financial surplus generated from properties not providing core services
3. Year-on-year increase in surplus from properties not providing core services
4. Profit generating land development opportunities
5. Fewer unplanned subsidies with a fair and equal leasing process
6. All properties safe and legally compliant at all times
7. Disposal of properties not contributing to strategy to reinvest capital into the portfolio and development

2.1.3 Below provides a breakdown to further define each of the Strategic Aims.

2.1.4 1. Properties that support the delivery of core council services

Ensure that operating assets are occupied and managed efficiently to support the delivery of the core and statutory services of the Council. Including services such as council offices, wellbeing services, public toilets etc.

2.1.5 2. Financial surplus generated from properties not providing core services

Generating a surplus of income from property which is not occupied to provide core council services. This strategic aim is to increase this margin through active management, new leasing policy, and new income generating initiatives.

2.1.6 3. Year-on-year increase in surplus from properties not providing core services

The portfolio will aim to grow its surplus income year on year through better structuring of lease arrangements, active management, making the most of opportunities to increase revenue, and managing budgets effectively for each property.

2.1.7 4. Profit generating land development opportunities

The portfolio includes extensive parcels of land and areas in need of development, however some of these areas are either not yet viable because they are tenanted, or viability studies have not been undertaken. The aim is that any development which is undertaken for the borough adding to employment, placemaking and broader economic prosperity as a whole is only executed if it is viable.

2.1.8 5. Fewer unplanned subsidies with a fair and equal leasing process

Through the implementation of the new community policy, the subsidies offered for property leasing will be fairly assessed and monitored, enabling

the social benefit to be fully utilised for any subsidies in rent offered to community organisations, and ensuring that all subsidies are transparent and monitored to ensure benefit and value.

2.1.9 6. All properties safe and legally compliant at all times

Every property within the portfolio is to be safe and compliant for both the tenants in occupation and any member of public, council officer or contractor visiting the properties. This includes items such as energy performance compliance, insurance, fire safety etc. Depending on the category of property (investment, community or other) responsibility for this will be clarified through the lease structure and active management to ensure compliance.

2.1.10 7. Disposal of properties not contributing to strategy to reinvest capital into the portfolio and development

In line with the six points above, if a property or land held by the Council does not contribute to core or statutory services, does not generate a surplus income, or does not have future development potential or meet the compliance standards, disposal of the asset may be explored to generate capital which can then be reinvested in the assets which do contribute to the overall holding strategy.

2.2 New Policy

2.2.1 New policy recommendations are outlined below to support the Asset Strategy, whilst ensuring best practice in property compliance and risk management.

2.2.2 Community Buildings and Land Leasing Policy

The Community Buildings and Land Leasing Policy is attached to this report for consideration. This has been developed giving attention to factors which ensure a fair, transparent, and consistent approach to granting leases.

The Policy contains criteria and considerations when leasing community assets to a community organisation, where Community Organisations are defined as being *a non-profit organisation operating for the benefit of the community and residents of Gosport.*

Along with standardised lease terms, the Policy contains a tool to assess community benefit which each applicant must complete when requesting a lease subsidy (paying a rent lower than the level of market value). This tool enables GBC to recognise the importance of community activity and services.

The Policy also lists various Council owned sites around the Borough categorised as Community Assets. It must be stressed that the list can be

subject to change through consultation with the leader of the Council.

2.2.3 Investment Buildings and Land Leasing Policy

The Investment Buildings and Land Leasing Policy is attached to this report for approval. This has been developed giving attention to factors which ensure a fair, transparent, and consistent approach to granting leases, leading to the successful take up of Investment Buildings or land owned by GBC.

The Policy contains criteria and considerations when leasing investment assets to commercial applicants, where Commercial Applicants are defined as *typically a business, organisation or individuals alike running a business*.

The Policy contains standard lease terms for newly issued leases and detailed on how bids from commercial applicants are assessed.

The Policy also lists various Council owned sites around the Borough categorised as Investment Buildings and land. It must be stressed that the list can be subject to change through consultation with the leader of the Council.

The definition of investment assets being identified as not currently being used for community or operational use, with occupied uses not primarily supporting council core services.

2.2.4 Beach Huts Licencing Policy

The Beach Huts Licencing Policy is attached to this report for approval. This has been developed giving attention to managing expressions of interest in a fair, open, and transparent way, leading to the successful opportunity for residents to licence a Beach Hut.

The Policy contains criteria and considerations when licencing a Beach Hut to residents, with standard terms for newly issued licences, and a cap on the number of concessions which can be granted in each 12-month term.

The Policy also lists the Council owned Beach Hut sites in the Borough. It must be stressed that the list can be subject to change through consultation with the leader of the Council.

3.0 Risk Assessment

3.1 Adopting the Asset Strategy

The Strategic Aims provide an overarching framework and direction in

making future decisions on the management of commercial assets in a consistent way. If the Council does not adopt a strategy its decision making would be more ad hoc and at greater risk of challenge, without a direction of compliance, maintenance, and growth in mind. This can lead to wasted opportunity, wasted financial resources, and greater compliance risk

3.2 Adopting new policy

The various policies assist in ensuring that future decisions on leasing and licencing GBC owned commercial assets are made in a rational and consistent manner, in keeping with the overarching strategic aims. If the Council were not to adopt such policies, its decision making would be more ad hoc and at greater risk of challenge. This can also lead to wasted opportunity, wasted financial resources, and greater compliance risk

4.0 Conclusion

4.1 Asset Strategy

The Board is asked to adopt the Strategy and the Strategic Aims and to agree that officers can manage council owned buildings and land going forwards in line with these aims in consultation with the Leader and in line with delegations.

4.2 New Policy

The Board is asked to approve the new Policies attached and to agree that Officers can execute new leases and licences in line with these policies.

Financial Services comments:	Under the current Business Rates retention system there will be an eventual annual saving of £10,000 to the Council if the liability for National Non Domestic rates on Beach Huts were transferred to Beach Hut License holder.
Legal Services comments:	No legal issues identified
Equality and Diversity:	N/A
Climate Change implications:	N/A
Crime and Disorder:	N/A
Service Improvement Plan implications:	N/A
Corporate Plan:	The recommendation supports the Corporate Plan in the following ways: 1) Enhance the unique character, environment and assets

	<p>of the borough and make it a great place to live and work.</p> <p>2) Encourage investment, protect, and improve infrastructure and land use, creating jobs and generating wealth for residents</p> <p>3) Support new and small businesses</p>
Risk Assessment:	See section 3.
Background Papers:	<i>None.</i>
Appendices:	Community Buildings and Land Leasing Policy Investment Buildings and Land Leasing Policy Beach Huts Licencing Policy.
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