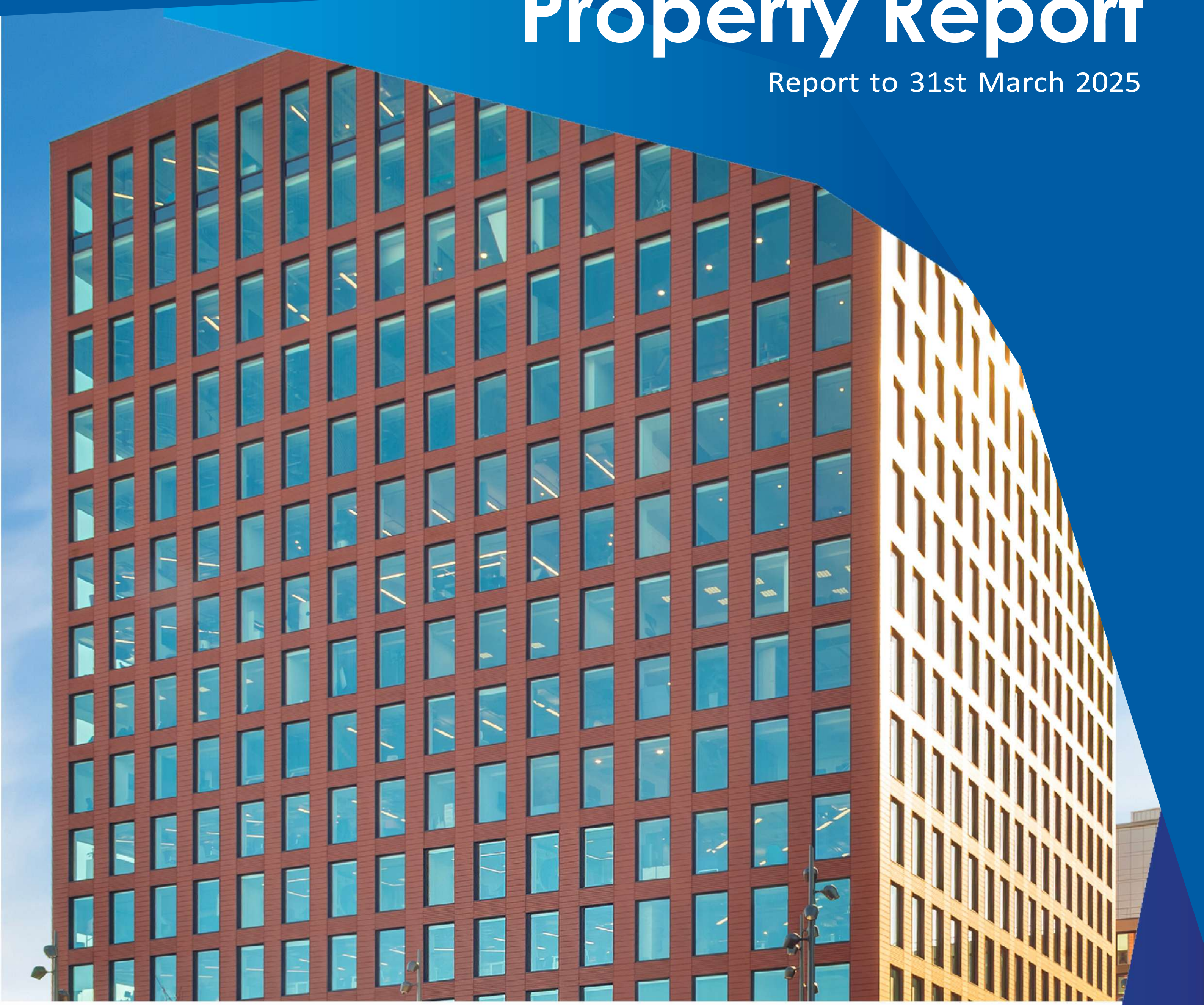
Spelthorne Borough Council Property Fund

Annual Commercial Property Report

Report to 31st March 2025



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SPELTHORNE BOROUGH COUNCIL

Contents

1 Introduction

The Annual Commercial Property report is produced by the Assets Service on behalf of Spelthorne Borough Council. It provides an analysis of the commercial property portfolio performance as at 31st March 2025.

The commercial portfolio is wholly owned by Spelthorne Borough Council and sits on its balance sheet. The Council acquired the commercial properties during the period 2016 to 2018 primarily for income to support the delivery of front-line services in response to Government grant funding being removed. One of the Council's key corporate priorities is financial resilience and the commercial assets are key to meeting this priority. The Council's objective is to effectively manage the commercial assets to maximise the financial returns to the benefit of residents. Even with Local Government Reorganisation in Surrey this continues to be a key priority as the successor unitary will want reassurance that financial risks are being appropriately mitigated. The Asset Management Plan 2024 -2028 sets out how the commercial property supports the provision of the Council's Corporate priorities.

The Investment Portfolio will seek to:

- Deliver a secure and sustainable income net of all attributable costs
- Maintain capital value in real terms over the ownership period
- Generate a net profit over medium and long term after deduction of attributable costs and with appropriate sinking fund contributions
- Ensure that income returns meet or exceed budget targets and wider industry-standard benchmarks on a medium- and long-term basis, with an expectation of long-term income growth
- Diversify risk through leasing assets to a broad range of tenants operating across different business sectors and with a mixture of income lengths (i.e. between 5 and 15 years)
- Make a positive contribution to the Council's commitment to reach Net Zero for Scope 1 & 2 emissions by 2030
- The Council to retain these assets if they perform to required criteria but will continually assess alternative options in the event of under performance or reasonable expectation of adverse future circumstances

Source: Asset Management Plan 2024/25–2027/28

1 Introduction

The Annual Commercial Property Report is part of a suite of documents that support the Asset Management Strategy (see diagram on page 1). It reports on progress achieved over the previous financial year as measured against the objectives above and the Key Performance Indicators (KPI) set as part of the Asset Management Strategy. It provides a review of all asset management activity over the last 12 months including the activity reported in the Six Month Review (published as the Half Year Commercial Property Portfolio report to 30th September 2024). The Assets team produce the Asset Investment Strategy (AIS) at the beginning of the financial year which focuses on the key priorities and initiatives over the forthcoming 12 months and is a summary of the strategy approved within the Business Plans for the individual properties. As such the Annual Commercial Property Report is a backward looking review and measures the performance against targets set at the beginning of the financial year and the KPI's.

Commercial Portfolio Key Facts (at 31/3/2025)	
Net Asset Value (31 March 2025)	£623.85 million
Net Asset Value (31 March 2024)	£650.36 million
Number of Property Holdings	11
Average Lot Size	£56.71 million
Contracted Rent per annum*	£42.92 million
Estimated Rental Value per annum (ERV)**	£55.14 million
Vacancy rate total portfolio (as % of floor area) (31/3/2025)	9.01%
Sinking Funds Earmarked Reserves Value	£26.261 million

*Contracted rent valued by Knight Frank under RICS regulations at the valuation date. This excludes for example Tenants in rent free
**The rent that a property could achieve in the open market at the valuation date.

2 Property Market Review - continued

South East Offices April 2024 to March 2025

As we look back over the last 12 months there were signs that the office market saw a moderate improvement on the previous year. The property investment and occupational letting market both benefitting from stable inflation and falling interest rates.

Across the Council's vacant office property there were notably more viewings and letting interest than 2023. The Charter Building in Uxbridge and Thames Tower in Reading in particular saw a marked improvement in occupier demand cumulating in two lettings. This accords with the wider South East office market which recorded an increase in office take up of 4.9% on 2023 which is the highest annual total since 2019[1]. According to Knight Frank the number of completed lettings in the South East and M25 was 31% above the 10 year average. The first 3 months of 2025 recorded a quarter on quarter increase in office take-up, continuing this upward trend. At the end of the March, however, there was some trepidation over the impact of increased costs for businesses as a direct result of the October 2024 Budget and the pessimistic outlook for global growth will have on the demand for office space.

Whilst the Council did see an uptake in occupier interest generally, it is still a very difficult letting market. With the exception of Reading and Uxbridge, the Council's properties in Slough, Sunbury and Staines struggled to attract occupiers.

The trend for occupiers to target the best quality office space with sustainable environmental credentials continued during 2024/25. New and Grade A space dominated market lettings accounting for 80% of the total take-up during 2024[2]. This trend was evident across the Council's portfolio with the lettings at Reading, Uxbridge and Stockley Park completing within our 'best in class' buildings or newly refurbished space. The majority of the Council's investment properties are considered Grade A buildings with EPC ratings of A or B and it is important to ensure that they continue to be maintained to a high standard to meet occupiers ESG requirements and are able to compete with new and refurbished office space entering the market.

Whilst it is positive that letting activity improved during 2024, the supply of available South East office space increased. The Council's portfolio vacancy rate at March 2025 was 9.01% as a percentage of floor area and contrary to the market had decreased over the 12 months. Letting activity was principally driven by lease events and typically tenants were downsizing. Cost reduction rather than business growth and expansion tended to be the reason for office moves along with the need to attract talented staff back to the office and meet corporate ESG requirements. Often occupiers are able to remain cost neutral whilst upgrading the quality of their office space by downsizing. With high vacancy rates, it is still a 'tenant's market', and the Council is having to offer generous incentives to attract tenants and compete with other landlords.

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[1] Knight Frank, 'Quarterly Market Commentary' March 2025

[2] Knight Frank, 'Quarterly Market Commentary' March 2025

2 Property Market Review - continued

As you would expect with a high vacancy rate there are very few office developments being speculatively built across the Thames Valley with those under construction in the South East located in Cambridge or West London. If take-up continues on an upward trajectory and is focused on Grade A buildings, then it will indicatively support rental values going forwards.

High Street Retail and Shopping Centre Market April 2024 to March 2025.

The last 12 months have built upon increased consumer confidence with retailer insolvencies less than half the pre-pandemic average, a reduction in store closures on 2023 and well known High Street brands, such as Marks and Spencer, continuing apace to re-invent their physical store estate to enhance their customer instore shopping experience. Retail sales grew 1.6% in 2024 (excluding fuel) with the best performing categories in 2024 being Sports/Games/Toys which increased 14.7% in terms of volume and cosmetics with growth of 8.6% in terms of volume. Clothing however is still struggling with volumes being down 4.6%, whilst grocery sales remained relatively static.

2025 started strongly with retail sales in March having their best performance since March 2023 however the impact of employed NI contribution, increases in national minimum wage and the reduction in business rates relief are likely to impact retailers performance and present staffing issues as retailers seek to cut costs or introduce modest price inflation.

Retail has been the best performing asset sector in 2024, predominately driven by sentiment towards retail warehousing with a small capital growth seen in Shopping Centres. Void rates have remained static across the retail sector with void rates within Shopping Centres running at 17.2% and High Street 13.8%. Reviewing these numbers against Staines, it is clear that the retail market in the town is significantly outperforming the national averages. Staines is in a unique position with large box retailing in Two Rivers being close to the town centre providing an accessible link to the High Street and the Elmsleigh Centre. The two shopping centres successfully co-exist due to their specialism in differing retail sectors with Two Rivers able to provide space for retailers requiring 5,000 sq. ft plus with Elmsleigh offering the smaller more traditional High Street units and fashion offer.

Elmsleigh Shopping Centre is now 100% let and the majority of retailers continue to report increases in sales in 2023. The confidence within the Staines market has been seen by the completion of eight lease renewals or lease re-gears in 2024 and new shop fits/refreshes being proposed or completed by a number of existing retailers including H Samuel and River Island. In 2024 the Council welcomed new retailers, Warren James and Mezo Barbers into the Shopping Centre and later this year, Waterstones will be relocated from the High Street into a unit opposite Primark. The relocation should coincide with the opening of the new Library Hub at the Southern entrance. In addition, two new retailers will be opening at the Elmsleigh Centre in 2025, Lovisa, an Australian jewellery brand who are due to open in May and Sostrene Grene, a Danish variety store who will be open in late Autumn.

3 Property Valuation

The investment and regeneration portfolio is independently valued annually at the 31st March to comply with the Council's accounting obligations. Knight Frank LLP were appointed, following a competitive procurement process, to undertake the annual valuation for the year ending 31st March 2025. This is a new appointment with Knight Frank LLP awarded the 3 year contract taking on the role from Carter Jonas LLP. The change in value is in line with audit and governance good practice guidelines. Knight Frank as the incumbent valuer have taken an objective view of the properties, however, typically you often see a re-adjustment of values when a new valuer is appointed because there is no need for the valuer to justify movement on last year's values.

At the 31st March 2025 Knight Frank LLP valued the portfolio at £623.85 million. The commercial portfolio is valued on a market value basis in accordance with the RICS Professional and Global Valuation Standards.

[Valuation Table – Redacted]

- The total value of the Council's commercial property portfolio as at 31st March 2025 is £623.85 million.
- The total portfolio declined in value by 4.08% compared to 31st March 2024.
- The Elmsleigh Shopping Centre, the only retail asset in the portfolio, increased in value for the second consecutive year.
- No properties were bought or sold during the 12 month period.

The total value of the Council's property portfolio decreased over the last 12 months by 4.08% to £623.85 million. This compares to a combined portfolio decrease of 16.20% for the previous 12 months to 31st March 2024. Whilst the aggregate portfolio saw a moderate decrease, six of the eleven properties increased in value, the best performing properties were the Summit Centre in Sunbury-on-Thames and Communications House in Staines-upon-Thames. The properties that decreased in value were typically the single let properties or those with lease expiries within the next 5 years. The portfolio valuation demonstrates a moderate recovery of some asset values. It accords with the general view that during 2024 the property market reached its cyclical low point but is now turning a corner.

According to published CBRE All UK commercial property delivered a total return of 7.7% during 2024 with both income return and capital value growth contributing positively to the total return. This return was higher than both 2022 and 2023[3]. The office investment market as a whole saw improved activity compared to 2023, however the volume of capital invested in South East offices remained below the 10 year annual average. The improvement in the investment market was welcomed from a liquidity and valuation point of view. Prime South East office yields remained stable during 2024 at 7.25%. UK office sector prime rents rose during 2024 with uplifts averaging 5.3% year-on-year whilst secondary offices continued to decline. Overall, the capital value of South East offices decreased in value in the 12 months to March 2025.

[3] CBRE UK Monthly Index January 2025

3 Property Valuation - continued

Thames Tower in Reading and The Charter Building in Uxbridge increased in value. Both buildings are Grade A and are one of the highest quality office buildings in their respective markets. Both Reading and Uxbridge have seen more occupier activity than other Thames Valley towns. A pre-letting at the newly completed office development, 1 Station Hill adjacent to Thames Tower at the prime gross rent of £52.50 per sq. ft and a letting within the building on the 13th floor provided evidence of rental growth and resulted in a positive inward yield shift. The Charter Building also saw positive yield movement which reflected the recent lettings in the building and enhanced tenant interest in Uxbridge. The Porter Building in Slough saw a nominal increase in value. The Porter Building is also a 'best in class' building and like Thames Tower and Charter Building it is multi-let. In the current market investor sentiment is more favourable towards multi-let buildings with strong sustainability credentials, where the risk to income is diversified and there is more opportunity for future rental growth. All three buildings hold excellent environmental, social, and well-ness accreditations (including EPC ratings A or B).

Elmbrook House in Sunbury saw no change in value from last year.

Communications House in Sunbury saw positive capital growth of 12.24% following the agreement to extend the lease on favourable terms to the current occupier.

The Elmsleigh Centre in Staines increased in value for the second consecutive year with capital growth of 2.34%. The Centre is well occupied and forms the prime pitch in Staines with well recognized anchor stores including Primark, H&M, Sports Direct and Matalan. The investment market has seen a significant improvement over the last 12 months and yields for successful shopping centres have become keener. The increase in capital value has been due to positive yield movement and potential for rental growth in a thriving regional centre where the rental levels have been re-based over previous years.

The Council's property valuation shows a mixed picture. The IPF forecasts positive capital and rental growth for all sectors over the next five years, however offices will underperform all other sectors. The Royal Institution of Chartered Surveyors (RICS) acknowledges that whilst the market is beginning to show signs of improvement and longer- term economic indicators are generally constructive, turbulence in the global economy following President Trump's tariffs and domestic concerns including the impact of NI contributions could damage the early property recovery[5].

[5] RICS Press Release dated 24 April 2025

4 Key Performance Indicators

The Council has set a number of key performance indicators for the Investment Portfolio. The key performance indicators are published as part of the Asset Management Plan. The key performance indicators set targets for the management of the investment portfolio and focus on income, expenditure, portfolio risk and tenant risk. A copy of the KPI's can be found as Appendix A.

4.1 Financial (Income & Expenditure) – Key Portfolio Indicators

The Council's budget setting process involves forecasting the income generated from the investment portfolio for the upcoming financial year and the irrecoverable expenditure. On an annual basis forecasts are provided for the next 5 years together with a detailed budget for the next 12 months. Budget setting takes place in the Autumn prior to the 1 April start of the financial year.

The investment properties benefit from a contractual income stream governed by the rent agreed under the lease. Whilst the lease contract allows the Council to budget the net receivable income with some accuracy there is an element of unpredictability and risk due to tenant default, insolvency, rent reviews, lease renewal negotiations or the exercise of break options.

Irrecoverable expenditure relates to the costs that the Council as the Landlord incurs in the effective management of the properties. This may include expenditure associated with vacant property such as business rates, insurance, and service charge as well as refurbishment costs, letting costs and professional fees.

The net receivable income and the irrecoverable expenditure are monitored on a monthly basis and reported quarterly to Committee Members throughout the financial year. The budget forms the benchmark, and the Council seeks to exceed the budget expectations on net income and underspend the non-recoverable expenditure target. The benchmark relates to the key office investment properties acquired for income generation during the period of 2016 and 2018.

[Financial outturn Table – Redacted]

The Council received a rental income in the region of £45 million from the investment portfolio for the financial year ending 31st March 2025.

4 Key Performance Indicators - continued

4.2 Financial Outturn

The table below demonstrates the net income or loss to the Council of the investment properties after finance costs, management set aside and sinking fund movements. In total £8.79 million was transferred to the revenue budget to support service delivery.

Over a three year period the Council is committed to deliver a net contribution of £10.8 million to the revenue budget. Over the last three years an average of £9.0 million has been transferred to the revenue budget.

*Table below is a summary of the financial outturn as presented in Appendix B
NB these numbers include Thames Tower, Charter Building, Porter Building, 3 Roundwood Avenue, 12 Hammersmith Grove, Elmbrook House, World Business Centre 4, BP Main & South West Campus Elmsleigh Shopping Centre, Communications House and Summit Centre

Net Surplus/Loss after Financing Costs (as presented in Annual Accounts FY 24/25)	
	Totals (£m)
Rental Income	**(46,275)**
Other Income	**(1,395)**
Lease Incentives	**(1,826)**
Total Income	**(49,496)**
Operating Costs	**6,172**
Total Expenditure	**6,172**
Financing costs	**23,103**
MRP	**12,379**
Sinking Funds – contributions to	**1,251**
Sinking Funds – release from reserves	**(2,850)**
Set aside	**650**
Net (Surplus)/Loss	**(8,791)**

4 Key Performance Indicators - continued

4.3 Lease Event Management

The key performance indicators which reflect good estate management require the timely agreement of rent reviews and lease expiries. The Council aims to instigate all rent reviews where a rental uplift is expected before the rent review date and all lease expiries (where they are contracted out of the Landlord & Tenant Act 1954) prior to the expiry date to maintain security of income. The Council completed eight lease renewals/lease regears at the Elmsleigh Shopping Centre and one at the Summit Centre, all of which were above passing rent and exceeded the estimated rental value. The completed lease renewals provided an uplift in annual rental income of £88,500. Four rent reviews were settled during the financial year. Two rent reviews concluded at The Charter Building increased the rent from £188,410 to £356,940 per annum providing a significant uplift of £168,530 per annum. According to Knight Frank All South East offices should see an average rental growth of 2.20% over the period 2025 to 2028[6].

Summary of Completed Lease Renewals and Rent Reviews

Lease renewals completed to 31 March 2025

Property	No. of lease renewals	Passing rent (£000's) p.a.	Estimated Rental Value (£000's) p.a.	Rent Achieved (£000's) p.a.	Uplift of ERV %
Elmsleigh Centre and High Street, Staines	8	295.0	352.0	382.5	8.7%
Summit Centre, Sunbury	1	22.0	22.7	23.0	1.3%
Total	**9**	**317.0**	**374.7**	**405.5**	**10.0%**

Rent reviews completed to 31 March 2025

Property	Sector	Rent Review Date	Passing Rent (£000's) p.a.	Rent Achieved (£000's) p.a.	Uplift %
Charter Building, Uxbridge	Office	23/06/2023	188.4	226.1	20%
Charter Building, Uxbridge	Office	23/06/2023	-	130.8	100%
Porter Building, Slough	Office	23/05/2023	40.0	40.0	0%
Thames Tower, Reading	Office	01/07/2022	514.5	514.5	0%
Total			**742.9**	**911.4**	**23%**

[6] Knight Frank Q4 2024

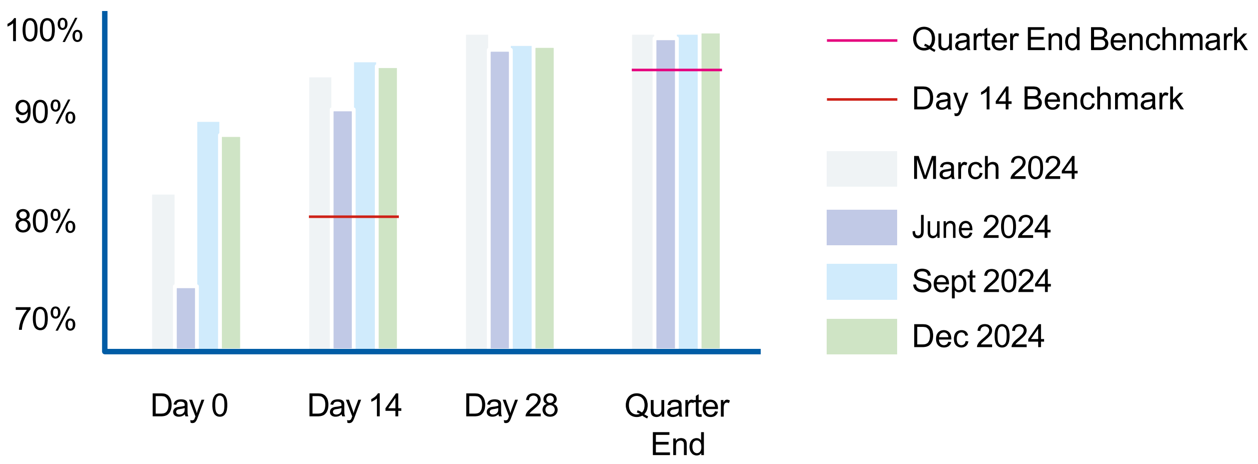
4 Key Performance Indicators - continued

4.4 Tenant Risk

Tenant default poses a great risk to the performance of the portfolio. To ensure that current and future occupier risk is identified and mitigated the Council monitors the credit rating of the tenants. A review of the credit ratings and a 'RAG' risk score is undertaken on a bi-annual basis using a credit monitoring service (currently Dun & Bradstreet).

The Council's top 10 tenants by rent represent 72% of the portfolio income and whilst this is a relatively high proportion the tenants are well- established companies considered to be financially stable. The Council has stringent processes in place to monitor the collection of rent and identify potential problem tenants. During the financial year the Council met its key performance indicator (KPI) of collecting 80% of all quarterly demanded rents within 14 days of the due date and 95% of all rent by the quarter end.

Rent Collection Statistics - Office Portfolio



4 Key Performance Indicators - continued

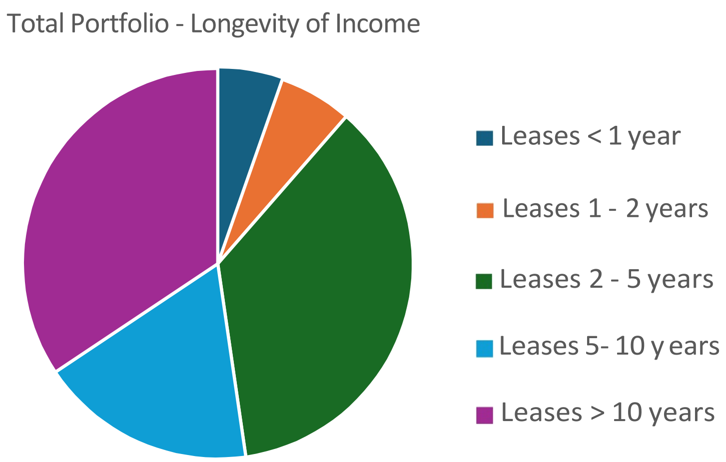
- The Council exceeded the portfolio target over all four quarters of the 24/25 financial year.
- 98.84% of all office rent was collected by the end of the financial year. The portfolio suffered two tenant insolvencies, and these non-collectable rents are included in the statistics.

During the financial year the Council took the decision to take in-house the office portfolio rent collection. It was previously collected by Cushman & Wakefield the portfolio managing agents. The new arrangement will provide the Council with greater scrutiny and control over the rent collection. Going forward our KPI will be amended to target 90% of all collectable rent within 14 days and 100% of collectable rent by the quarter end. The arrangement was effective from the March quarter day. The Council collected 100% of collectable rent within 21 days of the March quarter, however as rent is typically paid in advance the statistics are not reported in this financial year.

4.4 Portfolio Risk

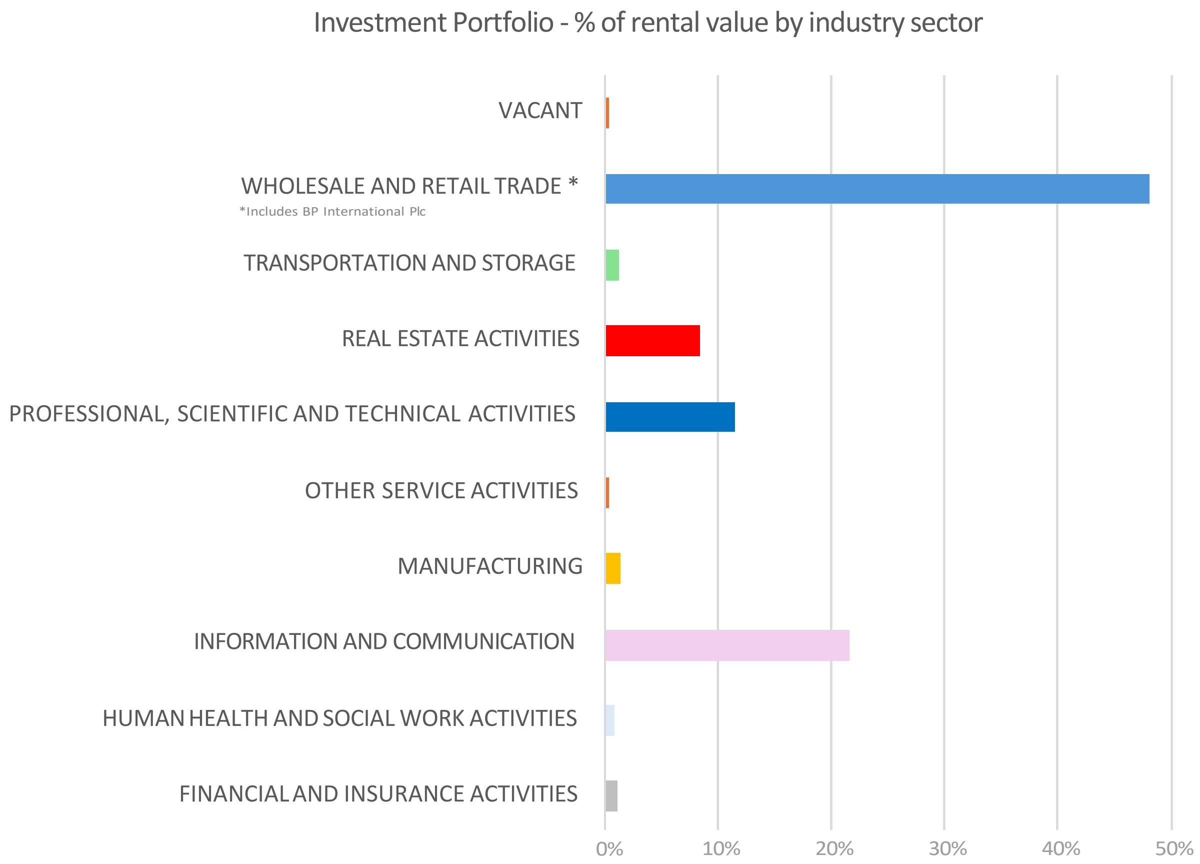
The Council aims to have a good balance between short, medium, and long term income. As at March 2025, 48.4% of all income is due to expire within the next five years, 14.6% between five and ten years and 37% with more than ten years unexpired. The Council has exposure to tenant expiries in 2027 and 2028. There are asset management strategies in place to reduce this exposure and preserve income and these are published in the Asset Investment Strategy 2025/26.

The portfolio is benchmarked against the commercial office market and the KPI target is that the portfolio weighted average unexpired lease term (WAULT) should exceed the market average lease length on new lettings. Lease lengths have been getting shorter as tenants have been unwilling to enter into a long term financial commitment and the market average lease length (to first break) for South East office is 4.4 years. It is a priority to negotiate lease extensions and remove break options whenever possible. Over the financial year two leases at Thames Tower were varied to remove the tenants' break option and secure a longer lease term.



4 Key Performance Indicators - continued

The Council's portfolio is predominantly invested in South East offices. Based upon the March valuation 93.4% is invested in offices, 2.4% in light industrial and 4.2% in retail (shopping centres).



5 Lettings

In the last 12 months, the Council completed eight new lettings totalling 41,348 sq.ft. and generated an additional income of £1.16 million per annum. Whilst the total take-up might seem low and the portfolio vacancy rate remains high the number of lettings completed was notable in the current challenging market. The table below provides further details of the lettings.

[Lettings Table – Redacted]

The strengthening market of Reading and West London has meant that the Council has seen an uptick in occupier interest at both Thames Tower in Reading and The Charter Building in Uxbridge with two lettings completing. At Thames Tower, a new letting was completed at £40 per sq.ft. providing a new prime rent for the building. At The Charter Building, an office suite of c.5,000 sq. ft was let in line with the estimated rental value and at the year-end a ground floor suite was under offer.

A first letting was achieved at 3 Roundwood Avenue at Stockley Park following the comprehensive refurbishment of the ground floor. A five year lease of suites A & B was completed in line with the business plan. The letting, one of only two lettings on Stockley Park in the last 18 months is proof of the successful strategy of splitting the office floor into small suites and refurbishing the space to a high quality especially when 47% of Stockley Park is available to let.

In July, the Council completed the letting on the ground floor at Elmbrook House in Sunbury. This follows the lettings of the first and second floors which completed in December 2023 and January 2024.

Two lettings were completed within the Elmsleigh Centre adding new retailers Warren James Jewellers and Mezo Barbers to the retail offer in Staines. Warren James, a national jewellery brand replaced a poorly performing tenant. At the year-end three further units were under offer replacing existing tenants on better terms and enhancing the tenant mix, with the lettings completing post 1st April 2025. Proactive asset management has successfully ensured that The Elmsleigh Centre is 100% let which is essential to maintaining Staines as a vibrant town centre.

In August, the Council completed the agreement to let the former Decathlon unit to Surrey County Council which will provide a new library and community hub. Surrey County Council are currently fitting out the library which is due to open late summer 2025. A central library and community hub will be a fantastic addition to the Elmsleigh Centre and Staines town centre. A youth hub was also opened in Friends Walk, this provides careers and education advice to people under 25 years old. The Council is pleased to be able to support community initiatives alongside retailers. The new library and youth hub are excellent examples of the Council meeting its over-riding corporate objective of 'putting our residents at the heart of everything we do'.

5 Lettings - continued

The Council's ownership of the shopping centre allows letting decisions to be made in the best interest of the residents of the borough in a way that commercial landlords would not consider.

During the year, the Council completed a number of licence agreements to maximise income generation and mitigate void costs across the portfolio. Seven licences for car parking spaces were granted at The Charter Building, The Porter Building and 3 Roundwood Avenue where there is vacant office space.

The lettings completed over the financial year have improved the void rate which currently stands at 9.01% compared to 9.72% at March 2024 (as % of floor area).

Vacant Property as at 31 March 2025

Property	Town	Sq.ft to Let	% of Property total floor area	% of ERV
Porter Building	Slough	37,592	2.4%	2.7%
Elmbrook House	Sunbury	2,660	0.2%	0.1%
The Charter Building	Uxbridge	66,592	4.2%	4.1%
3 Roundwood Avenue	Stockley Park	31,377	2.0%	2.2%
Communications House	Staines	9,341	2.5%	4.6%
Summit Centre	Sunbury	28,778	7.7%	8.1%
Total Portfolio Void		**176,340**	**9.0%**	**9.5%**

new tenant Elmsleigh Centre

6 Conclusion

In summary the portfolio performed in line with the wider office market and budget expectations. The Council had anticipated that the office market would make a stronger recovery and as a consequence a number of forecasted lettings did not materialise. Nevertheless, the net property income (before sinking fund deductions, loan and interest repayments) at £39.64 million was higher than the financial year 23/24; occupancy increased and rent collection was 98.94%. The Elmsleigh Shopping Centre performed very well demonstrating rental and capital growth and remaining fully let. Overall, the office investments saw a moderate fall in value consistent with the South East office market. The fundamentals of the properties within the Spelthorne portfolio remain strong, being 'best in class' and well located, therefore the properties are well placed to benefit from the improvement of the occupational market. Ongoing capital expenditure will be needed to retain their position, to prevent obsolescence and maintain high occupancy rates. The high office weighing is expected to detrimentally affect the future performance comparative to other mixed sector portfolios over the next five years. This is because the recovery of the office sector will be slower, with performance lagging behind the retail and industrial sectors. Going forward the challenge will be to reduce the vacancy rate to improve the rental income and lower operational expenditure and also mitigate the risk associated with the current lease expiry profile. The future strategy for managing the portfolio will align with the wider Council remit for ongoing financial resilience and will be in collaboration with other Surrey boroughs as progress is made towards a unitary authority.

Appendix A - Key Performance Indicators

	Responsibility	Reason	Data Source	Benchmark	Performance against Benchmark	Comments
FINANCIAL (INCOME)						
Portfolio Income Growth	Asset Management	To assess how SBC portfolio compares to budget in terms of net receivable income	Monitoring reports/ financial outturn	Target is to match or exceed Budget income outturn	Budget net receivable income £46.5 million Actual net receivable income £44.6 million	Under budget.
Deliver a Net Contribution to Revenue budget of £10.8m+ on average over a 3 year period.	Asset Management & Finance	To ensure continued provision of service delivery	Monitoring reports/ financial outturn	Target is to match or exceed Budget income outturn	Net income transferred to the revenue budget. FY 2022/2023 £11.1 million FY 2023/2024 £7.2 million FY 2024/2025 £8.8 million	Over the last 3 years average £9.0 million transferred to the revenue budget.
FINANCIAL (EXPENDITURE)						
Irrecoverable Revenue Expenditure	Asset Management	To monitor expenditure on refurbishments and holding costs against Budget and Business Plans	Monitoring reports/ financial outturn	Target = Budget	Budget irrecoverable revenue expenditure (operating costs) £5.5 million Actual irrecoverable revenue expenditure £5 million	Underspent compared to budget.
LEASE EVENT MANAGEMENT						

Rent Reviews	Asset Management	To avoid delays in recording rental uplifts and for good estate management reasons and to maintain tenant relationships		All reversionary rent reviews to be instigated prior to rent review date unless by exception	Two rent reviews were completed over the 12 months neither were reversionary	Details of the rent reviews completed are included on page 9. Four rent reviews were completed which produced an uplift on passing rent of 23%.
	Responsibility	**Reason**	**Data Source**	**Benchmark**	**Performance against Benchmark**	**Comments**
LEASE EVENT MANAGEMENT						
Lease Expiries	Asset Management	To avoid delays in recording rental uplifts and for good estate management reasons and to retain existing tenants		All contracted out expiries to be instigated prior to expiry date unless by exception	All lease expiries were instigated by the expiry date.	Details of the completed lease renewals are listed on page 9.
TENANT RISK						
Regular review of occupier credit ratings	Asset Management	To ensure that current and future occupier risk is identified and mitigated against	Dun & Bradstreet & Experian	Target = bi-annual reporting	Bi- annual updates are provided as part of Asset Management reporting of Business Plans and half year review.	8 of the top 10 tenants are of low or low moderate financial risk according to Dun & Bradstreet.
Rent collection (lease rent only, exc turnover)	Asset Management	Regular monitoring of rent collection to assist with Finance budgeting and to identify problem tenants	Property Agents	80% within 14 days 95% of income demanded by Qtr end	March ‘24 Qrt day 14: 94.83% June ‘24 Qrt day 14: 90.97% Sept ’24 Qrt day 14: 96.49% Dec ’24 Qrt day 14: 95.93% March ’24 Qrt End: 98.70% June ’24 Qrt End: 98.40% Sept ’24 Qrt End: 98.55% Dec ’24 Qrt End: 98.95%	Exceeded benchmark across all quarters during the financial year. 98.84% of all annual rent collected.

	Responsibility	Reason	Data Source	Benchmark	Performance against Benchmark	Comments
Portfolio Weighted Average Unexpired Lease Term to exceed market average lease length on new letting	Asset Management	To ensure strategies are in place to preserve longevity of income	Annual Valuation	Property sector regional geographic reports	*[Redacted]*	The investment portfolio weighted average unexpired lease term exceeds the average market lease length.
Void rate of portfolio split into office and retail to be less than sector and geographical average	Asset Management	To ensure strategies are in place to ensure void costs remain as low as possible.	Property Agents	Property sector regional geographic reports	The Council's office void rate at (March 2025) was 9.01% as % of floor area and 9.50% as a % of ERV.	This is less than the sector and geographical average. As the Council does not subscribe to the MSCI index we are unable to publish the benchmark figure.

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