

Bath & North East Somerset Council		
MEETING:	Corporate Policy Development & Scrutiny Panel	
MEETING DATE:	25 March 2025	EXECUTIVE FORWARD PLAN REFERENCE:
TITLE:	Commercial Estate performance update	
WARD:	All	
AN OPEN PUBLIC ITEM / EXEMPT ITEM		
List of attachments to this report: None		

1 THE ISSUE

The Panel has requested an update report on the performance of the Commercial Estate relating to the financial year 2024/25.

2 RECOMMENDATION

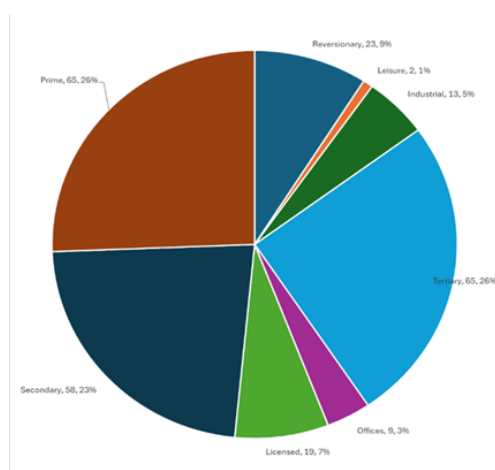
The Panel is asked to note and provide feedback in respect of the contents of this report.

3 THE REPORT

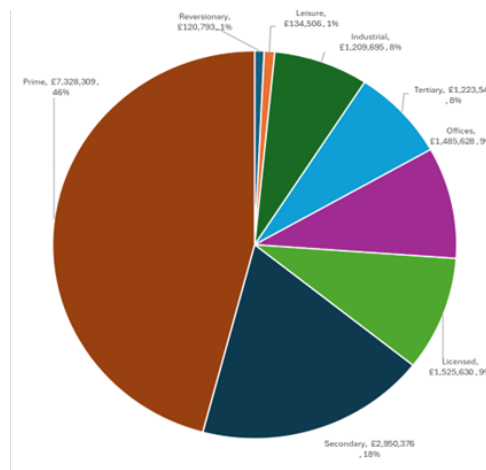
3.1 Composition of the Commercial Estate

The B&NES Commercial Estate comprises 254 investment assets. The Estate is subdivided into the various property types including retail, office, industrial and leisure assets. Retail is the largest of the sectors and is itself subdivided into the further following categories of Prime, Secondary and Tertiary. A breakdown of the estate is illustrated below as at December 2024.

Breakdown of estate by portfolio



Breakdown of estate by rental income



3.2 Performance update

The data presented within this report is taken from the Q3 monitoring of the Commercial Estate as at January 2025 for the financial year 2024/25. Where more recent data is available this has been used, where indicated.

3.2.1 INCOME

The approved revenue budget for 2024/2025 is £16,319,513. The Quarter 3 forecast is provided in Table 1 below together with previous forecasts. The actual income received at the start of January was £15.1 million which increased by £0.6 million in February.

Following the adverse variance to budget in Quarter 2, there is an over achievement of budget (favourable position) of £79k reported for Q3. These figures comprise forecasts of certain transactions, such as rent reviews and lease renewals which are due during this financial year but yet to be settled. Accordingly, these forecast figures may be subject to variation as the finally agreed settlements may differ from the forecast.

Table 1- Commercial Estate Gross Rental Income Budget and Forecast 2024-25

Budget (1081)	Actual to date – 03 Feb 25	Q1 - Initial Forecast	Q2 - Forecast	Q3 - Forecast	Variance -Q3 to Budget
£16,319,513	£15,763,263	£16,319,513	£16,267,401	£16,399,429	£-79,916 (fav)

3.2.2 LETTINGS

From 1st April 2024 to January this year the Commercial Estate recorded 10 new lettings, which will produce an income (gross) of £84,058 for the financial year when rent frees have expired. The lettings relate to six industrial units, and four retail units.

Table 2 – Lettings during 2024-25

Whole	2 Broad Street Place	Pilates	31-May-24
Unit 11	Mill Road Industrial Estate	Scooter Repairs	01-Nov-24
Unit 12	Mill Road Industrial Estate	Upholstery	07-Feb-25
Unit 13	Mill Road Industrial Estate	Motorshop	07-Jan-25
Unit 14	Mill Road Industrial Estate	Bicycle Parts	26-Apr-24
Unit 8	Wansdyke Workshop	MOT Centre	11-Oct-24
Unit 7	Wansdyke Workshop	Carpentry	17-Apr-24
Ground	5 Orange Grove	Clothing	24-Jun-24
Grd & Basement	15 Cheap Street	Food	09-Jan-25
1st floor	24 Westgate St	Leisure	21-Nov-24

The letting terms are understandably commercially sensitive and confidential.

3.2.3 VOIDS

There were 40 void units in January (ie separately lettable units) in the Commercial Estate, 58% are retail (23 No), 28% are offices (11 No), 2% are categorised as licensed (1 No) and the remaining 12% are residential (5 No), (now with Housing).

Tables 3 and 4 below provide a breakdown of voids in terms of unit numbers and rental values by void classification as follows:

- Void Offer – Property is under offer and no longer being marketed.
- Void Legal – Legal Services have been instructed to draft documentation.
- Void Temp – Asset is on the market and available for letting.
- Void Works – Asset is currently awaiting works.

Table 3 - Table illustrating number of units under each void classification heading.

Void Units					Feb 2025
Category	Void – Legal	Void – Offer	Void – Temp	Void – Works	Total
Licensed				1	1
Office	1	2	3	5	11
Retail	2		4	17	23
Residential		3		2	5
Total	3	5	7	25	40

The void units categorised under “Offer” and “Legal” are no longer on the market. It is apparent that the majority of void units are awaiting works and are as a result not currently capable of being let at this time. Marketing will commence once a unit is nearing completion of their respective works. The opportunity cost of this in terms of rental value per annum is illustrated in the following table.

Table 4 - Table illustrating rental values under each void classification heading.

ERV of Units	Period Void				Feb 2025
Category	Void – Legal £ (3No.)	Void – Offer £ (5No.)	Void – Temp £ (7No.)	Void – Works £ (25No.)	Total £ (40No.)
Licensed				30,300	30,300
Office	5,500	24,100	64,150	77,500	171,250
Retail	104,000		120,700	613,275	837,975
Residential		5,000		28,230	33,230
Total	109,500	29,100	184,850	749,305	1,072,755

Out of the total value of ERV reported for the current void assets, (namely £1,072,755) 70% amounting to £749,305 of potential revenue relates to assets requiring works, which have either been instructed and are under maintenance programmes or are awaiting approval for entry onto the capital programme.

3.2.4 INVESTMENT ASSET PERFORMANCE

In terms of commercial property investment, the commercial estate asset value was assessed at 31 March 2024 as £219.4million.

The revenue outturn for 2023/24 stood at £16.1million. As a proportion of the net book value of the commercial estate at 31 March 2024 this produced a yield of 7.3%.

By comparison, the IPD All Property Equivalent Yield for 2025 Quarter 1 was 6.4% which is consistent with the 2024 Quarter 1 prediction of also 6.4%.¹

IPD or the Index Property Databank is a monthly property performance index which tracks retail, office and industrial properties. The index includes data on actual property transactions from institutional investors and property companies. It produces annual and monthly figures for the total property return. The IPD UK index is the standard benchmark for investors to analyse the performance of property in the UK market.

3.2.5 INCOME RECOVERY (ARREARS)

The arrears position in February 2025 (using KPI data produced on 17th February for the Whole Estate is reported in the table set out below. This indicates a risk profile and is tracked from the pre Covid level (March 2020) and from May 2021, baseline date.

The arrears position for the Whole Estate is £1,286,132. The Commercial Estate arrears stand at £932,439. The value for the Corporate Estate is £353,693.

Table 5 - Arrears position in February 2025.

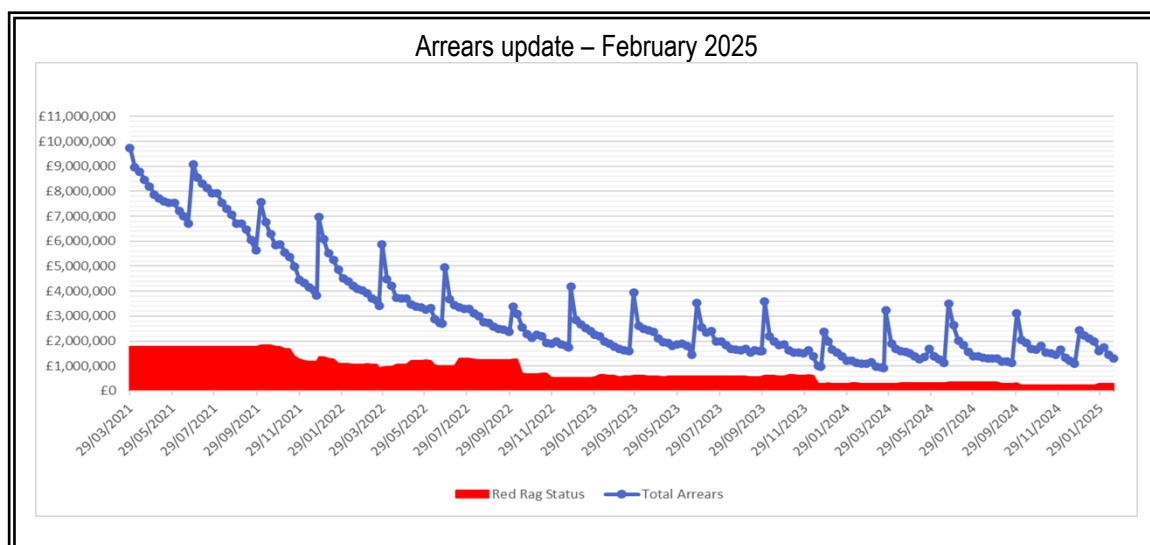
RAG Rating - February 2025	Current	1 Qtrs	2 Qtrs	3 Qtrs	4+ Qtrs	Grand Total
G	£372,363	£63,069	£66,906	£149,258	£79,628	£731,225
A	£26,876	£18,249	£2,229	£11,294	£260,080	£318,729
R		£55	£25	£4,997	£204,067	£209,145
TBC	£19,810	£506	£1,255	£2,079	£3,384	£27,035
Grand Total	£419,049	£124,367	£171,922	£89,288	£547,160	£1,286,132
	Current	1 Qtrs	2 Qtrs	3 Qtrs	4+ Qtrs	Grand Total
May 2021 Baseline	£2,263,099	£1,678,534	£1,181,183	£853,415	£1,695,832	£7,672,063
% Variance	-81.5%	-92.6%	-85.4%	-89.5%	-67.7%	-83.2%
March 2020 (Pre Covid)	£583,022	£225,735	£172,684	£50,134	£740,289	£1,771,864
% Variance	-28.1%	-44.9%	-0.4%	78.1%	-26.1%	-27.4%

Table 5 above shows baseline data which provides useful context for comparison against the more up to date information presented.

The total arrears position as at the 23 December 2024, prior to the charging of the quarterly rents on 25 December 2024 stood at £1,096,207.

¹ Colliers - March 2025.
Printed on recycled paper

Figure 1 – Graph showing Arrears Balances over a period of Years to 15th January 2024



Every current tenant, including residential tenants, that owe more than £100 continues to be contacted, with any new debtor being identified via a weekly report and immediately contacted. Of the 509 tenants in arrears, a total of 296 tenants (i.e. 58%) currently owe less than £100, with an aggregate arrears total of £6,543 (0.51% of the total debt).

Table 6 below shows Whole Estate Arrears by reference to amount and number of tenants.

Arrears Owed by Individual Tenants	Total Amount	Number of Tenants
Less than £100	£6,543	296
£100-£999	£31,167	81
£1,000 - £9,999	£370,785	107
£10,000 - £49,999	£418,815	20
Greater than £50,000	£461,283	5

Figure 2 below illustrates the level of Commercial versus Corporate Estate debt

Fig 2 – Graph illustrating Commercial Estate and Corporate Arrears Breakdown as of 18th February 2025

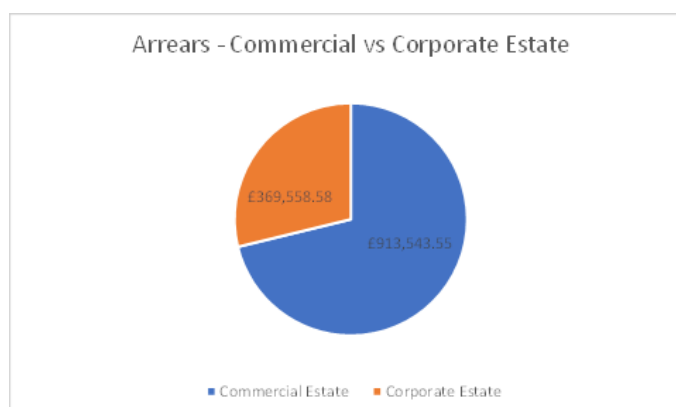
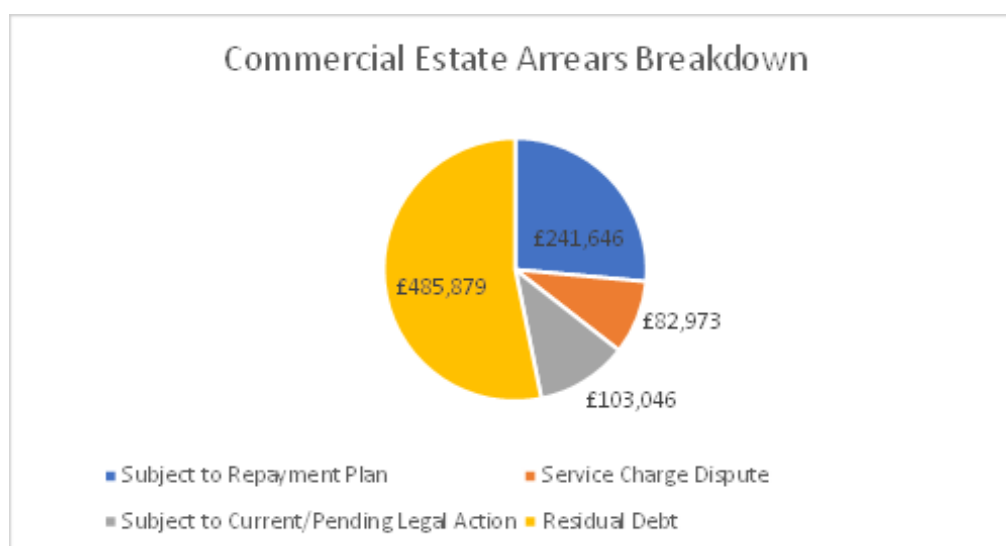


Figure 3 below provides a breakdown of the type of debt for the Commercial portfolio only.

It illustrates that of the £913,544 commercial portfolio debt, £241,646 is subject to repayment plans, and £103,046 is subject to formal current/pending legal action. 569 thousand which is a combination of live and historic debt which the team are actively pursuing. The remaining £568,852 is a combination of live and historic debt which the team are actively pursuing.

Fig 3 - Graph illustrating Commercial Estate Composition of Type of Debt



NB. Residual debt refers to arrears that are subject to the initial standard arrears chasing process (above £100).

3.2.6 CAPITAL EXPENDITURE

The Commercial Estate Refurbishment Programme (CEIF) budget at the start of financial year 24/25 was set at £5.292m. This was increased to £5.597m due to carry forward of budget from 23/24 approved by the July Cabinet.

Table 7 - The Commercial Estate Refurbishment Programme Expenditure

2024/25 Budget £'000	2024/25 Forecast to Year End £'000	2024/25 Purchase Order Commitments £'000	2024/25 Current Expenditure to 27 February £'000	Variance to Budget 24/25 against Forecast £'000
5,597	3,806	1,375	2,357	1,791

This programme of works is under regular review and prioritisation with a focus on key 'High' priority empty properties. Table 8 below shows the 'High' priority property instructions where either high value void Repair & Maintenance or Compliance related works are required.

Table 8 – High Priority Instructions

Property	Status	H&S Priority & Condition	Funding source(s)	Anticipated handover date	RAG STATUS Related to Programme	RAG STATUS Related to Budget 24/25
10 Broad St	On site	D-1	Capital other	01-May-25		
19 New Bond St	On site	D-1	PID2 2021-22	31-Mar-25		
20 New Bond Street	Tender	D-1	PID2 2021-22	31-May-25		
20, 21 Stall St	Instructed	A-4	PID2 2021-22	31-May-25		
1 Gascoyne Place	Scope	D-1	PID2 2021-22	31-Aug-25		
22 Milsom Street Rear (Roof Works)	On site	C-2	Capital other	31-Jul-25		
11 New Bond Street	Scope	C-2	PID2 2021-22	31-May-25		
5 Burton Street & 15 Upper Borough	On site	D-1	PID 3 2022-24	30-Apr-25		
7 Barton Buildings	Scope	D-1	Capital other	15-Aug-25		
31 Milsom Street (internals & externals)	On site	D-1	PID 3 2022-24	30-Dec-25		
7-14 Milsom Street (emergency works)	On site	D-1	PID 3 2022-24	31-Mar-25		
21 Milsom Street - phase 2 externals & PPM	Scope	D-1	PID 3 2022-24	30-Apr-25		
19 Westgate Street - Ground Floor	Scope	D-1	PID2 2022-23	30-Sep-25		
2-3 George Street	On site	D-1	Capital other	31-Jul-25		
6 Milsom Street	Tender	D-1	Capital other	31-Jul-25		
FRA	Instructed	D-1	Capital other	31-Mar-26		
20 Milsom St	On site	C-2	PID2 2023-24	31-Mar-25		
15/16 Broad St NEW for 2024	On site	D1	Contingency	31-Mar-25		
13-14 Westgate Buildings (NEW for 2024)	Instructed	D-1	Contingency	31-Mar-25		

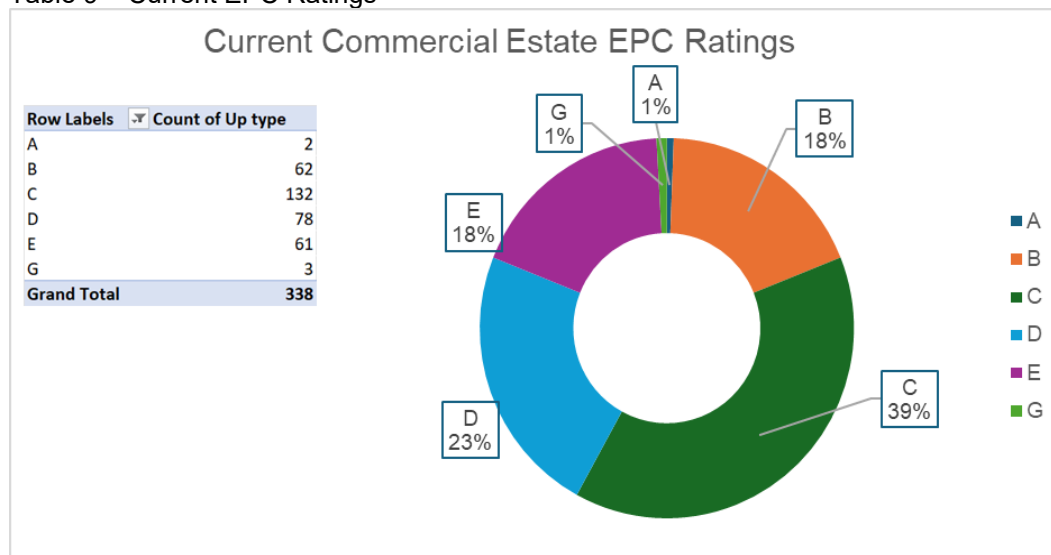
*	Status Related to Programme
	Programme has high level risks that may delay handover date
	Programme has low level risks that may delay handover date
	Programme is on target to complete by handover date
**	Status Related to Budget
	Programme has high level risks that may impact on allocated budget
	Programme has low level risks that may impact on allocated budget
	Programme is below or on target with allocated budget
	Rolling programme

3.2.7 Climate & Environmental Emergency Performance

Under the current MEES regulations a minimum EPC rating of E is required for the continuation of any existing or new lease or tenancy of a property. As can be seen from Table 9, 99% of the Commercial Estate is currently MEES compliant.

Table 9 below shows the status of the Commercial Estate in terms of Energy Performance Certification.

Table 9 – Current EPC Ratings



Going forward, the government has proposed raising the MEES for commercial properties in 2028 to a minimum of EPC rating of C.

As can be seen from Table 9 the Commercial Estate A-C energy ratings make up 58% of the portfolio. This is above the national average which is currently D. Whilst this good progress, the focus remains on the 142 units which are below C rating. Out of these units, 22 are currently within programmes to upgrade their energy efficiency.

All future Void Refurbishment or Planned Maintenance programmes will prioritise and upgrade low performing units, as part of the Commercial Estate's contribution towards the climate emergency. Any remaining assets below an EPC rating of level C will be targeted for appropriate remedial works in the lead up to 2028.

4 STATUTORY CONSIDERATIONS

The Commercial Estate is held under the powers of s120 of the Local Government Act 1972. All decisions in respect of the commercial assets are taken in accordance with the provisions of this Act.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

None as a direct result of this report.

6 RISK MANAGEMENT

A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance.

7 EQUALITIES

No adverse impacts in relation to an EIA have been identified as a direct result of this report.

8 CLIMATE CHANGE

No adverse impacts in relation to an EIA have been identified as a direct result of this report.

9 OTHER OPTIONS CONSIDERED

None

10 CONSULTATION

The s151 and Monitoring Officer have both been consulted and provided their approval to this report.

Contact person	Richard Long, Head of Commercial Estate
Background papers	<i>None</i>
Please contact the report author if you need to access this report in an alternative format	