

Environmental screening reports

Factsheet and further information

The commercial property/land your pension fund is proposing to buy has been reviewed by Wilbourn & Co, Chartered Environmental Surveyors. **Initial checks indicate that the property is potentially a 'higher risk', from an environmental perspective.**

In this factsheet we outline the next steps and why further investigation is needed.

Why is the property/land deemed higher risk?

Using online sources for historic land use and flooding Wilbourn & Co have carried out an initial assessment on the property. In addition they have read carefully any valuation or survey supplied by you. This process is set out in the Commercial Property Guide (see the section "Environmental risks and concerns"). It is worth noting that 1 in 5 properties will require an Environmental Screening Report.

In their opinion, a more detailed "Environmental Screening Report" (ESR) including a site visit to the property is required to properly assess the risk levels.

Can I still buy the property/land with my pension fund?

No. Your pension fund will only be allowed to purchase the property/land if the ESR reveals the risk level to be acceptable.

Is this any different to what happens in the marketplace?

No. This is common practice both for small and large pension investors in property throughout the UK.

Can I supply my own environmental report?

No. Unfortunately using other reports can cause problems with consistency. Wilbourn & Co have prepared the report specifically for the pension scheme whereas other reports may have been provided for a different purpose and for a different client and hence cannot be relied on by the pension scheme. We require a high level transparent and consistent approach.

What are the benefits of an ESR?

- An independent professional environmental surveyor will accurately assess the current risk level of the property before your pension fund purchases it.
- The report can be relied upon for 6 years.
- The report is assignable to another party, with the permission of Wilbourn & Co and Xafinity.
- The purpose of the report is to ensure the value of the pension scheme investment is sustainable. To underpin not undermine the value of the investment. This is what is required by valuers fulfilling their obligations to the RICS "Red Book".

ESRs and site visits: the process

Xafinity will require owner consent to proceed with the site visit and ESR. Once we have obtained this we will approach Wilbourn & Co to agree a time/date for the site visit.

Clearly it is essential that Wilbourn & Co can access all parts of the land and property, so please ensure there is someone there to meet them, at the agreed time. You'll also need to provide a named contact and mobile number so we can pass this onto Wilbourn & Co.

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Possible outcomes of a site visit and ESR

The report will provide you and Xafinity with a “risk rating”. There are 7 different risk ratings that can be allocated: Low; Low to Medium; Medium to Low; Medium; Medium to High; High to Medium; High.

We will accept all property/land that has a “low” or a “low to medium” risk rating and the SIPP or SSAS can proceed with buying or transferring in the property.

Where the risk rating is “medium to low” or higher, action may be recommended or required.

Report recommendations

Some ESRs will make recommendations to the current owners of the property aimed at reducing current and future environmental risks. Through carrying out these recommendations, not only will there be a benefit to the environment, but the value of the investment will be underpinned. Some examples showing the benefits gained through carrying out the recommendations from an ESR can be found below.

In a limited number of cases the property may need to be re-inspected to ensure that the risk rating has been reduced to acceptable levels.

ESR – Examples

Xafinity prides itself in putting the needs of the beneficiary at the heart of all we do and we want nothing to undermine your pension benefits. In the case of property it is important that we obtain high level knowledge about the property interest to ensure that the benefits from the investment are maximised.

The impact of a sudden and unexpected flood event or other environmental impediment can seriously undermine the ability of the scheme to sell the investment on the open market without a substantial discount, and the purpose of an Environmental Screening Report (ESR) is not to undermine but to underpin the value of the scheme’s investment. This makes the investment more robust and the value of it more sustainable.

Whilst we are concerned about environmental issues, through our efforts trustees and scheme members have taken on board the recommendations made from the environmental due diligence we undertake. In many cases this has made a significant difference to improving the value of their investment.

For example;

Birmingham

In Birmingham, some 400 tonnes of materials had been brought on to site to level the land because of major problems with the operation of the business operating on site. This was a precursor to the site being surfaced with concrete to create a hard surface. This is now a successful waste management operation following a re-inspection.

Ayrshire

This was a complex case which produced a successful outcome in the scheme’s acquisition of a former scrap yard. In this case the vendor wanted to pass on the entire liability of a scrap yard onto the pension fund, something a responsible pension scheme Trustee like Xafinity would not allow. In addition the Scottish Environment Protection Agency would not accept the surrender of the waste management licence.



But using the recommendations from the ESR massive improvements in the site quality were delivered and the purchase successfully completed. Benefits to all stakeholders resulted from this intervention. But the biggest beneficiary was the environment.



Manchester

In Manchester, environmental management was not as it should be. There were empty oil tanks that had leaked into the soil, overflowing skips of builders waste, clogged drains, oil spilt from refuelling and no apparent means of cleaning this up. In addition had maps alone been relied upon the perception would have been that the site was a severe risk of flooding. Not only did the ESR reveal that the site was well protected by new flood defences it made a number of important recommendations about the environmental management of the site.



With support and advice from the ESR the scheme cleaned the site up in a week. This was signed off by a re-inspection and the deals closed within a tight timescale. All stakeholders benefitted from this...underpinning the scheme member's investment.



Kent

This was a former petrol filling station and motor vehicle servicing and repair centre. It was in an appalling state. There was oil everywhere with multiple breaches of regulations and the potential for a major environmental catastrophe within an urban area. Following the ESR the scheme took on board what was recommended and a year later the works of restoration were completed. The illegal oil tanks removed, the buildings cleaned up, all the rubbish removed, and the forecourt remediated resulting in a professional business environment for MoT testing and servicing.

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ESR fees and payment

The ESR fee is £950 + VAT, payable to Wilbourn & Co. If a property needs to be re-inspected a minimum fee of £500 + VAT would be applicable. The SIPP or SSAS can pay this fee from existing cash, if the pension fund is already set up and has liquid cash available.

If the SIPP or SSAS is not yet established, this fee can be paid by the SIPP or SSAS member or their company. Once the new SIPP or SSAS has been established, the costs of the ESR can be reclaimed by the member/company.

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Xafinity receives no financial incentive from working with Wilbourn & Co.



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