

Agenda Item 7



Policy and Scrutiny

Open Report on behalf of Andy Gutherson, Interim Executive Director of Place

Report to:	Environment and Economy Scrutiny Committee
Date:	09 April 2019
Subject:	Business Centres and Economic Development Portfolio Progress Report and Occupancy Levels

Summary:

The purpose of this paper is to provide summary information to members of the Environment and Economy Scrutiny Committee regarding the Council's portfolio of Business Centres and Industrial units including occupancy levels and letting activity.

The paper also describes the corporate priorities that govern the management of the portfolio, sets out recent successes and lists the priorities for the portfolio in the forthcoming year.

Actions Required:

Members of the Environment and Economy Scrutiny Committee are invited to:

1. Consider and comment on the detail of the Council's portfolio of Business Centres and Industrial units contained in the report, and;
2. Highlight any recommendations or future actions for consideration by the Executive Member for Economy and Place.

1. Background

The Role of the Regeneration Team

Within the Economic Development department, the Regeneration Team is responsible for managing a large portfolio of properties which are owned by the Council and let to small businesses in order to support economic growth and job creation across the county. These properties are mainly small industrial units and individual suites of offices located within converted or purpose built buildings.

The team also supports the wider role of the Economic Development department by leading on, and managing, a range of activities linked to the promotion of the portfolio. For example, by working alongside other teams focusing on investor development and promoting opportunities for investment in Lincolnshire.

Our centres provide ideal "incubator" type environments where many businesses can co-operate and work together as well share knowledge and take advantage of

networking opportunities. We also create space for the Council's Growth Hub advisors to use our centres to provide advice to our tenants and other small businesses.

The portfolio management links with the GLLEP objectives of 'supporting key employment sectors' and 'attracting inward investment and growing foreign direct investment' as set out in its Strategic Economic Plan.

In order to meet these objectives and offer a professional service focused on high levels of customer care, the team is involved in a range of day to day tasks including rent arrears management, negotiating new leases and maintenance issues etc.

The Portfolio

The portfolio comprises mainly of small industrial units located across Lincolnshire as well as four serviced office buildings located in Gainsborough, Market Deeping, Lincoln and Skegness where we provide a managed reception and other supporting facilities. We also manage another office development, also located in Lincoln, which has much more limited shared facilities.

These properties have a total Estimated Rental Value (ERV) of over £1.3million per annum.

In total, the portfolio comprises of 200 units (122 offices and 78 mainly small industrial units).

Appendix A provides a detailed analysis of the occupancy rates within the portfolio in terms of the number of units and asking rents. In summary, across all properties the portfolio is 82% occupied (based on unit numbers) and, as a percentage of asking rent this equates to 83% let.

Core Principles and Objectives

In managing these properties the following corporate priorities and objectives have been identified:

- To provide favourable environments for new businesses to be created and with space to grow
- Offer a range of professional services to our clients. For example by offering flexible lease terms and providing reception facilities at our managed centres.
- Recognise the importance of good customer care as set out in the Council's values and beliefs.
- Provide opportunities for staff to develop their range of knowledge, skills and experience.
- Providing investment and facilities in areas where a need is identified but where the private sector is unwilling or unable to invest.
- Maximising net rental income generated from the Council's portfolio on non-operational properties
- Undertake regular reviews of the Council's property holdings to ensure that its objectives are met. This may require the disposal of surplus assets or increased investment in retained properties where a suitable business case exists
- Effectively monitor budgets including regular forecasting as required
- Continuously review all aspects of our work to ensure compliance with best practice guidance, relevant case law and statute etc.

- As part of the Best Value and the Asset Management Planning process, to review its property holdings to ensure the Council's corporate planning and service delivery plans are achieved, including the sale of development sites and other surplus sites, and the investment in those properties to be retained where a suitable business case to do so is identified.
- Complete a backlog of outstanding professional work that the team inherited and, going forward, to adopt best practice by commencing forthcoming lease renewals and rent reviews at least six months before the effective date.
- Continue to refine budgetary control procedures, recovery of rent arrears and processes for monitoring income and expenditure. The Commercial Team currently aims to achieve a 10% per annum target for the recovery of outstanding rent arrears.
- Regularly review our current working practices to ensure that we comply with relevant corporate, legal and professional responsibilities at all times. Where appropriate to assist colleagues, we will prepare concise procedure notes to ensure consistency, continuity and efficiency.
- Effectively monitor budgets including regular forecasting as required

Performance

The Regeneration team provides a professional management service dealing with new lettings, day to day estates management matters, rent collection, negotiating rent reviews and managing the lease expiry process and lease renewals etc.

The portfolio's performance reported in the Council Business Plan demonstrates how our work contributes to the following key performance indicators contained in the LCC Business Plan. These indicators include the following:

- Jobs created and safeguarded: 597 achieved (annual target 360)
- Businesses assisted: 824 to date (annual target 797)

(As per data for 2018/19 Q1-Q3).

These figures demonstrate that Lincolnshire businesses are growing and are keen to access business support to achieve their growth ambitions.

In the last 12 months the Team has enjoyed a number of successes. These include:

- Dealing with backlog of undocumented tenancies.
- Completing a tenant satisfaction survey which highlighted areas of concern that our tenants have on matters such as amount of car parking at certain centres and maintenance of common areas. Where possible, we have addressed many of the concerns raised. However, areas like the amount of car parking will always be contentious due to the success of the centres and the number of visitors using our buildings. Overall, our tenants provide positive feedback on the reception facilities that we offer at our managed centres.

- Supporting the delivery of the Coastal Observatory and putting appropriate property management arrangements in place.
- Completing various land sales including development land at Kirton.

Setting rental levels and tenant selection

All lettings will be at market value in the first instance. This is to ensure that the Council meets the requirements of the Local Government Act 1972 to achieve 'best consideration'.

Tenants will be selected on a number of criteria including:

- Submission of a suitable business plan
- Existing trading accounts (where available)
- Suitable professional references including bank and trade
- Use being acceptable for the location in terms of both tenant mix and to meet the objectives of the economic development

Targets and Objectives for 2019/20

Looking ahead, the team is focused on the following targets:

- Deliver new economic development projects in strategic locations across Lincolnshire. For example, serviced employment land in Holbeach for the Food Enterprise Zone and new workshop units in Skegness.
- Support the Economic Development team to develop suitable business case/s to attract investment in new serviced office facilities by identifying demand and providing advice on what (and where) makes a successful centre.
- Developing a comparable database to assist with the preparation of valuations including market rent information.
- Adopt the use of Concerto software as a property management tool and as a means to record and track progress of new lettings etc.
- Deal with any outstanding backlog of service charge calculations.
- Respond to feedback obtained from our Tenant Satisfaction Survey.
- Continue to develop relationships across the Council to facilitate the delivery of the Council's services.

2. Conclusion

The regeneration team manages the Council's commercial property portfolio in order to maximise the opportunity to support the creation and growth of new businesses whilst recognising at all times that the portfolio has a dual role of securing net income generation.

The team can demonstrate a number of important attributes including:

Excellent Customer Service

We provide efficient management, high levels of knowledge regarding tenants and our portfolio, good rapport with tenants and contractors etc.

High Degree of Flexibility

For example, to allow temporary/short term lettings for local businesses and other organisations that may need to relocate while works are undertaken at their existing premises. We can also demonstrate flexibility by negotiating leases which assist tenants wishing to grow, down size or relocate etc.

Good Quality Space Ensuring our premises, reception areas, other common areas, and our staff, are well presented, maintained and decorated to give all tenants a strong impression about our professionalism and locations in the right place.

3. Consultation

a) Have Risks and Impact Analysis been carried out??

No

b) Risks and Impact Analysis

N/A

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Economic Development: Property Terrier - Analysis of Leasehold Sites

5. Background Papers

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