



**Open Report on behalf of Andy Gutherson, Executive Director – Place**

Report to:	<b>Environment and Economy Scrutiny Committee</b>
Date:	<b>29 November 2022</b>
Subject:	<b>Economic Infrastructure Portfolio – Lettings Strategy</b>

**Summary:**

The Economic Infrastructure Portfolio Lettings Strategy has been reviewed and updated. The purpose of the document is to provide operational guidelines to describe the role of the service and team to elected members, tenants, and other Council Departments. The document has been produced in such a way that it acts as a Procedure Manual and provides a useful reference and guidance document for each team member to facilitate consistent decision-making and ensure the adoption of a coordinated approach to the management of the Council's portfolio of business centres and industrial units.

The overarching aim of the service is to provide suitable premises to support new businesses and enhance economic prosperity and job growth across Lincolnshire whilst at the same time optimising revenue income from the Council's portfolio. This is a challenging set of priorities which must be considered with some flexibility to reflect the characteristics of each location and to take account of various statutes and guidance which govern the work of the estate managers.

Whilst the Lettings Strategy assists team members to balance these objectives, it is a dynamic document and has been refined to reflect latest best practice and wider economic conditions

The Strategy also provides a number of targets to ensure that the Lettings Strategy is successfully implemented. These targets are:

- Formalise any historic and outdated agreements
- Ensure all Landlord and Tenant obligations are met
- Maintain rents at market levels

**Actions Required:**

Members of the Environment and Economic Scrutiny Committee are invited to comment on to what extent the various principles described above will allow the Council to more effectively, manage the portfolio, and to meet the twin objectives of

supporting business growth AND optimising rental income. In particular:

- (1) To what extent the various principles, which are designed to provide guidance on the use to which business centre units, other commercial and industrial units should be put, are reasonable and equitable and will meet the required objective of maintaining an appropriate tenant mix and providing a suitable mix of premises for start-up businesses.
- (2) To what extent the criteria described in this paper are appropriate and will assist the Council with consistent decision-making and strike a balance between maximising the economic benefits of the portfolio across all locations AND mitigating the Council's management costs.
- (3) To what extent will the targets summarised above provide sufficient rigor to the Council's Lettings Strategy.

## **1. Background**

Within the Economic Infrastructure Service, the Portfolio Team is responsible for managing a large estate 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 comprise of mainly small industrial units and individual suites of offices located within converted or purpose-built buildings. In parallel with this over-arching objective, the Council must manage the estate in a commercially astute way to optimise rent income, comply with legislation and ensure that the Council's holding costs are minimised.

To assist officers to balance these requirements, officers produced a Lettings Strategy and a separate Business Plan at the beginning of 2019 which described the role of the Team in managing the Council's portfolio of industrial and commercial units and business centres. The purpose of this paper is to present a refreshed document which combines the previous two documents into a single coherent and detailed Lettings Strategy.

The Lettings Strategy provides a useful guide for elected members and acts as a Procedure Manual for officers to refer to and ensure consistent decision-making. It provides a framework to ensure that the best use is made of the Council's premises and includes, in addition to general information about the delivery of the service: criteria used to select suitable tenants; setting rent levels; service charges; what uses are deemed acceptable; multiple occupancy and competition; lease term and length of occupation; repairs and maintenance; approach to negotiations; approval to proceed; and disputes.

The Lettings Strategy will be regularly reviewed and updated to reflect the changing workload of the team and any changes to case law and statute which affects the way that the estate is managed. The document reflects many of the day-to-day challenges that officers face when deciding to let Council premises and ensures greater consistency in decision-making, allowing the Council to balance the competing objectives described above.

A copy of the Lettings Strategy is attached for information together with a plan showing the location of our industrial estates, commercial premises, and business centres. (For ease of reference the various appendices referred to in the Lettings Strategy have not been reproduced but can be provided on request).

## **2. Conclusion**

The Lettings Strategy is a simple and clear document that raises the profile of the service and explains “what we do” to our members, our tenants and other Council Departments.

It is a useful reference document for new members of staff as well as newly elected Councillors to understand what we do, how we do things and why, and what skills, knowledge and experience we have within the Team.

The overarching aim of our service is to provide suitable premises to support new and young businesses and enhance economic growth and job creation across Lincolnshire whilst at the same time optimising revenue from the Council's portfolio.

Ultimately, the Council should retain the right to reject any application for a tenancy or begin recovery proceedings against an existing tenant on the grounds of what is considered reasonable estate management, health and safety or any other statutory or regulatory concerns.

Consideration of all the criteria set out in the Lettings Strategy provides clear guidance to officers, members and prospective tenants regarding the letting and management of the Council's portfolio of business centres, commercial and industrial units and allows officers to lease Council premises in a flexible and dynamic way to reflect economic conditions across each location.

The Council's portfolio is managed in adherence with current legislation, case law precedent and industry best practice including the Royal Institution of Chartered Surveyors (RICS) Practice Statement – Commercial Property Management in England and Wales. 2<sup>nd</sup> Edition January 2022.

We ensure that our rents represent “market value” at all times in accordance with the requirements of s123 of the Local Government Act 1972 which requires local authorities to achieve “best consideration” and include regular rent review mechanisms in all our leases in order to achieve regular uplifts in our rents.

A simple analysis of the portfolio indicates that these principles are being effectively applied and by refreshing the Lettings Strategy we will continue to ensure consistent decision making in the future.

The working environment and economic challenges (globally, nationally, and locally) have intensified radically in recent years as a result of huge strides in the use of ITC, flexible

working policies, economic pressures and the impact of COVID-19, etc. The pace of change is expected to increase in the future as a result of:

- on-going pressure to reduce public sector spending; and,
- increasingly demanding clients who expect an immediate, high quality and value for money service.

Implementing the Lettings Strategy will ensure that the Council manages its portfolio of offices and industrial units in such a way as to support the delivery of the Council's objectives of sustaining and growing the business economy. It will achieve this by helping businesses to become the drivers of economic growth by providing a climate in which they can invest, enhance their business performance, and offer attractive jobs to a skilled workforce.

### **3. Consultation**

#### **a) Risks and Impact Analysis**

N/A

### **4. Appendices**

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire County Council, Economic Infrastructure - Lettings Strategy
Appendix B	Location Map

### **5. Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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