



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

Report to:	Environment and Economy Scrutiny Committee
Date:	30 May 2023
Subject:	LCC Business Centres and Economic Development Portfolio - Performance Report

Summary:

The purpose of this paper is to provide summary information to members of the Environment and Economy Scrutiny Committee regarding the performance of the Council's portfolio of business centres and industrial units including occupancy levels and tenant feedback on the suitability of our premises to support the needs of small businesses.

Actions Required:

This paper is presented for information purposes.

Members are asked to note the contents accordingly and comment on the appropriateness of the measures used to review the performance of the Council's portfolio of business premises. In particular, the feedback provided by our tenants following a detailed engagement exercise and other units of measurement such as occupancy levels etc.

1. Background

Introduction

The Economic Infrastructure Portfolio Team is responsible for managing 218 council owned properties, most of which are let to small businesses as “incubator space” to encourage economic growth and support job creation across the county.

The portfolio is located across 24 estates in 18 towns and includes small workshops, industrial units and 156 offices across six serviced office buildings located in Gainsborough, Holbeach, Market Deeping, Lincoln and Skegness, in five of these centres we provide a managed reception and other support facilities.

On 29th November 2022, members of the Environment and Economy Scrutiny Committee endorsed the Economic Infrastructure Lettings Strategy which sets out clear guidance on how suitable tenants are to be selected and other technical considerations to ensure that

the portfolio is managed effectively and in accordance with the Council's primary objective of facilitating economic growth and prosperity and providing support and a professional environment for small and "start up" businesses.

Tenant Engagement

Officers have regular contact with tenants in order to ensure that we are providing a high-quality service and to deal with day-to-day issues that arise.

In the last quarter of 2022/23, officers conducted several structured meetings with tenants in order to capture feedback on the performance of the portfolio, it's suitability to meet the needs of our tenants and what improvements would be desirable.

In particular, we asked:

- Whether or not our premises met the needs of our business tenants?
- If so, in what way and if not, what could we do differently?
- What is the main benefits to our tenants of renting premises from LCC?
- As a landlord, what additional services could we offer tenants of our business centres?

The most significant learning points from this exercise are summarised below:

- There is clear demand for the small, "incubator" style space that we offer our tenants with 85% of respondents stating the accommodation meets their business needs.
- When asked to identify the benefits of leasing space from LCC, 20% of respondents stated that our flexible lease terms were a positive feature. A further 20% of respondents also stated that our rent levels were reasonable and competitive.
- Tenants at our managed business centres value the additional support we provide, for example, reception duties. Our teams are described as friendly, helpful and providing a high level of service by 12% of respondents even though they were not specifically asked to comment on this.
- Some tenants did raise concerns regarding a range of issues across the portfolio. Examples included the limited amount of car parking which was raised by two tenants in separate locations and some of our industrial estates suffering from litter blowing across our land from neighbouring sites. Three tenants asked for landscaping maintenance to be improved and two tenants were frustrated about the length of time taken to carry out repairs.¹
- 22% of respondents suggested that we could do more to support them by offering networking, advertising and events for tenants to promote their businesses and "cross sell" to other tenants.²

¹ We have already created a plan to record all the actions that were identified following the tenant engagement exercise. The action plan will be used to ensure all outstanding matters are dealt with promptly and we will notify our tenants as appropriate.

² Following this feedback we will accelerate our plans to develop a programme of networking and business to business events to support our tenants and assist them to grow their businesses. We are also finalising a detailed Communications Plan for our portfolio.

Occupancy levels

The percentage of lettable area (sq. ft) let is used to monitor performance at individual locations. A summary of the current dashboard shows the following:

Premises	Occupancy (%)	Tenants (no.)
Business centres	75.5	92
Industrial	93.4	44
Miscellaneous	98.0	11

Economic Performance

The portfolio has a total rent roll of circa £1.3million per annum and generates a small operating surplus that is used to promote, manage, maintain and invest in the portfolio.

The success of the portfolio is also considered to rest in the wider benefits of improving the local economy and creating economic growth. For example, by offering flexible lease terms to attract small businesses and encouraging them to grow. This degree of flexibility is unlikely to be matched by the private sector which traditionally relies on maximising long term rental income.

Other recent achievements

In the last 12 months the Team has enjoyed several successes including:

- Supporting the completion of a major refurbishment of the Eventus Business Centre in Market Deeping resulting in the creation of an extra 2,365 sq ft of lettable space, five new offices and a more efficient layout.
- Introduction of new property management software which will support the team to provide a high quality service to our tenants.
- Leasing space to five new businesses at the new managed work space in Holbech since it opened in July 2022.

Summary

The “structured interview” format of engaging with our tenants was an effective way to obtain valuable feedback and to measure our performance.

Many respondents confirmed that LCC’s premises met their business needs and the flexibility of our leases, competitive rents and helpful and professional team members were also recognised as positive attributes.

The feedback also identified areas where some improvements could be made. Examples include some frustration at the length of time taken to carry out unplanned repairs, limited car parking in some locations and some improvements to landscaped areas. We

have already compiled a list of these actions and will notify our tenants of the remedial steps we have taken.

We also noted that some respondents were keen for LCC to take a more active role in supporting businesses by organising networking events and other promotional and support activities. This is something that we will build on in 2023/24.

Across the portfolio, our occupancy rates are good although we are mindful that some business centres have historically suffered from lower occupancy levels compared with others. Where this is the case, we do extensively market our premises. For example, by attending business to business events.

2. Conclusion

The Council manages its commercial property portfolio 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 recent structured interviews with our tenants has enabled us to measure our performance in the following areas:

- **Customer Service**
We provide efficient management, high levels of knowledge regarding tenants and our portfolio, good rapport with tenants and contractors etc.
- **Flexibility**
We can demonstrate flexibility by negotiating leases which assist tenants wishing to grow, downsize or relocate etc.
- **Good Quality Space**
While there is room for improvement, the majority of tenants consider that our premises meet the needs of their business.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

N/A

4. 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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