

## SOUTH HOLLAND DISTRICT COUNCIL

**Report of:** Anita Goddard-Gill - Interim Housing Property Services Manager

**To:** Performance Monitoring Panel Wednesday, 9 September 2020

**(Author):** Anita Goddard-Gill - Interim Housing Property Services Manager

**Subject:** Marketing of Industrial Units

**Purpose:** To set out the methodology for using commercial agents to provide targeted and additional resource to support the letting and management of commercial property

### **Recommendation(s):**

That the contents of this report are noted.

### **1.0 BACKGROUND**

- 1.1 At the July 2020 Performance Monitoring Panel (the Panel) a short presentation was given on the management of commercial assets. In addition reference was made to a report being prepared for the September meeting of the Policy Development Panel. That report will include, in addition to an update on commercial assets, proposed next steps in relation to the drafting of an updated Asset Management Plan, new Lettings Policy, a general update on matters such as budgets allocated for commercial property and priority spend items. It was agreed that this update to Policy Development Panel in due course would be shared with the Panel.
- 1.2 Following the agenda planning pre meet of the Panel points for clarification and further advice was sought by the Chair and Vice Chair from the Interim Housing Property Services Manager for the meeting of the Panel on 9<sup>th</sup> September, in written form. This included a lettings process which can be found in Appendix 1.
- 1.3 Information was requested from the Interim Housing Property Services Manager on the role undertaken by commercial letting agents and why specific agents were chosen to represent the council in this task. In addition details relating to the use of NPS (Peterborough) Limited providing support to the Assets team on the management of commercial units owned by the council. Concerns were raised by the Chair and Vice Chair about this resource being sourced from Norfolk as opposed to more locally based.
- 1.4 The Panel also wanted some further information on the management of the commercial estate in particular maintenance, tidiness and other tenant matters. This report provides further information regarding choice of letting agents and NPS (Peterborough) Limited. The commercial property and new Lettings Policy report to the Policy Development Panel meeting on 15<sup>th</sup> September will be shared with this Panel in due course. This report should help provide further background on the overall management of the commercial estate including maintenance, tidiness and other tenant aspects, matters raised with the Interim Housing Property Services Manager at the agenda planning pre meet. Officers will be in

attendance at the Panel meeting to provide a verbal update on the content of that report which by then will have been published.

- 1.5 A final question was raised at the Panel pre meet around how the team currently tap into local intelligence and this will be covered in the section on letting agents and letting procedures below (sections 1.9 and 1.10 in the main).
- 1.6 The council owns and manages five industrial estates at various locations across the District totalling some 50 units, 49 of which are currently let and income producing. These are situated in the towns of Crowland (Pinnacle Close & Horseshoe Yard), Sutton Bridge (Railway Lane), Holbeach (Fleet Road) and Spalding (Benner Road)
- 1.7 The majority of the units are small (around 600sqft) with the exception of units on Pinnacle Close in Crowland which are larger (over 1,000sqft)
- 1.8 Demand for units tend to be from the immediate area although units in Crowland do draw in interest from businesses based in Peterborough and the wider neighbouring areas. Peterborough and its wider area has historically seen lots of demand for units of this size traditionally outstripping supply. Consequently it is important to seek to source potential occupiers from as wider area as possible to ensure maximum occupancy and income can be maintained. Using letting agents who are active in these areas to market of vacant commercial units in this area is prudent.
- 1.9 Tenant's when selecting prospective units to let take account of factors such as local suppliers for products they need, labour supply, transport links, price of and flexibility of terms on which they can lease units as well as a whole range of other matters relating to competing units on the market to let. Local commercial letting agents tend to be well connected with individual business needs, complemented where possible with our own business and market intelligence from the council's Inward Investment team.
- 1.10 Knowing the market, who is active, how requirements can be met and terms upon which tenants will proceed is critical to securing the right occupier for the Council's commercial property. Officers hold part of this market intelligence but the agents have a significant amount themselves. With only a small portfolio of commercial units (50 in total), with traditionally few coming vacant, Asset Officers are not "in the market" and as such reliant on advice and support from commercial property letting agents who are specialists in this field.
- 1.11 Commercial letting agents therefore who know the market well and understand what other units may be available outside of the council's ownership thus offering a good insight into not only the business, if they are local, but also how specific units available across the council's portfolio may be best suited to a prospective tenants needs, These agents are effectively leasing commercial property on a daily basis across the local area. Some of these have a regional and wider national client base so can offer sound insight into a range of matters including trends in lease terms, competing units, asking rents and the base terms together with types and levels of incentives provided by Landlords when these are being let.
- 1.12 It is quite typical for local government to use agents to let commercial property. Further the council has faced difficulties in recruiting to posts within the property/ assets teams and the

opportunity to use commercial agents to let commercial properties provides a focussed and much needed resource when recruitment continues to be problematic.

- 1.13 Letting agents the council have used so far include Peterborough based Barker Storey Matthews and Spalding based Longstaff, on a joint agency basis to let units at Pinnacle Close, Crowland. Spalding based Brown & Co have been used to market units at Fleet Road Holbeach as and when these become vacant. Council officers have historically sought to let vacant units themselves but for the reasons outlined above, local market knowledge and capacity principally this is changing.
- 1.14 The council secures quotes from letting agents to ensure best value is obtained and once appointed monitor their performance. One of the roles for the Strategic Property Manager (recruitment for this vacant post in progress) will be to work closely with the Assets team to resource plan for future asset related work including lettings. It is important whilst this resource planning work is underway and beyond that we utilise local agents to provide the right technical support and capacity as units become available.
- 1.15 A similar picture exists with the management of the council's commercial estate. Prior to and following the recent departure of the Assets Officer, NPS (Peterborough), a specialist local supplier of estates, valuation, building surveying and other property related disciplines have provided some technical support to the Council around estate management. Given difficulties in recruiting to key posts, local knowledge and tested estates practices the council is looking at strengthening that relationship to provide estates and building compliance services going forward as necessary. This would be procured with the use of existing pre procured frameworks. A proposal is being worked up is for them to provide essential technical and professional resource, to support the management of the commercial and operational estate in particular implementation of the new Lettings policy on the granting of new leases, a task with existing staff resources the Assets team would currently be unable to fulfil. An Officers Recommendation Report would follow in due course setting out the basis of a formalised arrangement to provide estates and building compliance support.
- 1.16 NPS (Peterborough) Limited are a joint venture partnership between Peterborough City Council and Norse Group (a company wholly owned by Norfolk County Council). With over 10,000 employees the group offer a very broad range of services to local authorities including a full multidisciplinary property service. All staff providing estates services to South Holland are based in their office in central Peterborough. Once the new Lettings Policy is approved (at Policy Development Panel on 15<sup>th</sup> September and Cabinet in October), a substantial lease renewal programme will commence and NPS (Peterborough) will provide essential resource to the council to deliver this.

## 2.0 **RECOMMENDATION(S)**

- 2.1 In seeking to secure additional resource Panel members to note that when selecting local agents for letting and a different agent for managing the estate this is based on what level of expertise they can provide the council with and value for money, using where possible pre-approved suppliers from pre procured frameworks. This process will continue whilst Council officers recruit to key asset and property posts and then match skills and resource with current and future work streams.

### 3.0 **EXPECTED BENEFITS**

- 3.1 The provision of cost effective high quality professional and technical resource procured from and delivered by local well regarded commercial property specialists providing much needed capacity in areas where the council has found difficulty in recruiting.
- 3.2 Established relationships with agents who are able to provide expert market advice on the demand for new industrial units and in certain cases training for existing Council staff and access to a wider network of property specialists active in the local area.

### 4.0 **IMPLICATIONS**

In preparing this report, the report author has considered the likely implications of the decision - particularly in terms of Carbon Footprint / Environmental Issues; Constitutional & Legal; Contracts; Corporate Priorities; Crime & Disorder; Data Protection; Equality & Diversity/Human Rights; Financial; Health & Wellbeing; Reputation; Risk Management; Safeguarding; Staffing; Stakeholders/Consultation/Timescales; Transformation Programme; Other. Where the report author considers that there may be implications under one or more of these headings, these are identified below.

#### 4.1 **Constitutional & Legal**

- 4.1.1 The approach in this report meets our legal and constitutional duties.

#### 4.2 **Reputation**

- 4.2.1 The process outlined demonstrates that the council is engaging with agents according to their location and knowledge of the market to let vacant units as and when they become available and manage/ let income producing assets.

### 5.0 **WARDS/COMMUNITIES AFFECTED**

- 5.1 Crowland and Deeping St Nicholas, Holbeach Town, Spalding and Sutton Bridge.

#### **Lead Contact Officer**

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**Key Decision:** N

**Exempt Decision:** N

**This report refers to a Discretionary Service**