

September 2020

Letting and management of the South Holland District Council's commercial property assets

Replaces 2005 policy

Executive Summary

This policy is to replace the letting and management of the Council's portfolio of industrial property adopted in 2005.

Key Points

- The purpose of the industrial units is to encourage the growth of both new and existing local businesses in line with the council's Asset Management Strategy.
- The units are let mainly for light industrial use and tenants' businesses need to comply with all statutory requirements including the appropriate planning classification.
- Tenants may in some cases be permitted to apply to widen the planning use of a unit. For example a tenant could apply to for B1, B2, B8 and D1 use; however tenants will not be permitted to narrow the planning classification of a unit for example to another non-industrial use.
- The terms of new leases are determined by the Asset Management Team on commercial terms with the lease term to be subject to negotiation however ordinarily for a term of 3 years.
- A service charge is levied to cover the maintenance and repair of the common parts of the estate and the external parts of the units (but not exhaustively).
- Leases have an 'effective' full repairing and insuring liability. Tenants are responsible for internal repairs and for those elements not covered by the service charge.
- Ordinarily the landlord will be responsible for external repairs with the costs recharged to the tenant via the service charge.
- Statutory testing relating to internal FM to be the responsibility of the tenant statutory testing for external items to be the responsibility of the landlord with the costs recharged to the tenant via the service charge.
- The council insures the buildings and recharges the tenants. Contents' insurance cover is the responsibility of the tenant.
- Rent, business rates, utilities' costs and any other related outgoings are payable by the tenant.
- Leases are outside the provisions of the Landlord and Tenant 1954 Act, i.e. the tenants have no statutory renewal rights.
- Non-structural alterations are permitted subject to landlord's consent (not to be unreasonably withheld). If relatively minor, a standard letter licence should be

used to document alterations, alternatively the matter will be documented in a licence to alter.

- Except in exceptional circumstances structural alterations will not be permitted and in those cases they will be subject to the landlord's consent, which is not to be unreasonably withheld.
- Tenants will be permitted to assign leases subject to landlord's consent.
- Subletting in whole or part is to be prohibited.
- Application forms need to be completed by prospective tenants and their financial suitability tested.
- Rent arrears are pursued in accordance with the Debt Recovery policy.

Marketing

Ordinarily external agents will be instructed to market vacant units. "To Let" boards will be erected and advertising undertaken on the Council's website and in the local media as necessary.

New Applicants

All applicants are asked to provide a bank reference and two trade references. Applicants, who have an existing business, are required to provide three years' audited accounts and a landlord's reference.

Tenants are ordinarily required to pay a rent deposit, equal to at least three months' rent, which will be held by the Council and used if the tenant defaults on rent, service charge (or other payment due) or to offset any dilapidations liability at lease expiry.

Rent and incentives

Rents are generally on an open market rent (ERV) basis. The rent levels are reviewed as specified in leases, but generally on a three-yearly review pattern. A rent-free period, either as an incentive or in lieu of fit-out works can be granted by the Asset Management Team where appropriate.

Agreeing a new lease

A standard form of lease will be drawn up and will be replicated for each new letting so amendments can be kept to a minimum and legals can be completed quickly and economically. It will be reviewed on a regular basis to ensure it reflects the most recent legislative changes, commercial practice and strategic aims of the Council.

Yield up

A schedule of dilapidations will be undertaken by the Council prior to the termination of the tenancy, outlining the items of disrepair the tenant is responsible for remedying.

Rent Arrears

The Council has a corporate Debt Policy and a Write-Off Policy which are complied with in dealing with tenant arrears. Management of tenant arrears includes the following:

- Liaising with Accounting Services and where appropriate agreeing a strict timetable for the repayment of arrears.
- Using Commercial Rent Arrears Recovery (CRAR). This legislation means that 7 days' notice needs to be served on the tenant prior to enforcement agents being instructed to distraint upon goods. CRAR only applies to principal rent, VAT and interest (it cannot be used to pursue unpaid service charges or rates).

Implementation and review

- The Asset Management Team is responsible for implementing this policy and for its regular review.
- The Council has the right to vary any of the above guidelines in line with their current strategic aims and legislation.

Policy Approval	Reviewed by and Approved
Policy Development Panel	
Cabinet	

Related Policies and Strategies

Asset Management Strategy

Corporate Debt Recovery Policy

Write-off Policy