

St Georges Industrial Estate

Summary

St Georges Industrial Estate has recently been purchased by Surrey Heath Borough Council.

There are 23 Light Industrial Units let out to business on varying terms. The Council needs to be able to make commercial decisions within commercial tenant timescales and it is therefore proposed that the Scheme of Delegation be amended to delegate all estate management matters to the Head of Legal Services.

Portfolio - Transformation

Date signed off: 8 February 2016

Wards Affected

Watchetts

Recommendation

The Executive is advised to resolve to amend the Scheme of Delegation that the Head of Legal Services be authorised to deal with all estate management matters relating to St Georges Industrial Estate including the granting of leases not subject to the provisions of the Landlord and Tenant Act 1954 and for a term up to 25 years.

1. Resource Implications

- 1.1 St Georges Industrial Estate is a commercial business park owned by Surrey Heath Borough Council. To maximise the efficiency of its use, it needs asset management decisions on leases, rent reviews and estate management to be taken within short timescales.

Without having delegated authority to make these decisions, this could lead to losing existing tenants as it takes too long to arrange a new Lease for them, as well as missing out on new tenants as other landlords have a faster process to agree to new leases.

The same lack of delegated authority can lead to delays on rent review agreements and could mean an increased use of the 3rd party rent review process due to delays in decisions because of the Executive authority process. Each of which has a cost/income implication to the Council.

2. Key Issues

- 2.1 Tenants either moving into a unit or deciding whether to remain in a unit, need to get fast responses so they can make decisions about their future. Currently leases that are longer than 5 years in term, must be authorised by a decision of the Executive. This can create delays in the negotiations of commercial leases as the tenant has an added level

of risk, as even if the parties in principle agree to the new lease terms or rent review, there is a further delay and a risk that the Executive report may not be authorised.

- 2.2 St Georges Industrial Estate is held as an income generating investment asset and should be managed accordingly.

3. Options

Option1

- 3.1 The Scheme of Delegation be amended to provide for delegation to the Head of Legal Services

(1) authority to enter into leases with tenants of the units at St Georges Industrial Estate up to a term of 25 years with standard industry terms, that are in line with good estate management and at a market rent; and

(2) authority to agree all rent reviews in line with market value and take the necessary steps on legal process and commercial management for St Georges Industrial Estate.

Option 2

Retain the existing delegated authority.

4. Proposals

- 4.1 It is proposed that option 1 be recommended as this will speed up the process for entering into new leases, renewing leases, agreeing rent reviews and making estate management decisions.

5. Supporting Information

- 5.1 The premises include at present 23 Light industrial units. They are in reasonable condition and provide a rental income of circa £500K per annum. It is important to create a fast and robust process to enable prospective tenants to be able to move in quickly and existing tenants to renew in a timely manner. Other private landlords do not have as long an authority process and therefore this gives them an advantage. Accordingly, delegated authority being given to the Head of Legal Services should enable the Council to react quickly to tenant demands helping keep and find tenants and therefore protecting rental income.

6. Corporate Objectives And Key Priorities

- 6.1 Key Priority Two: to assist with the improvement of economic growth and Key Priority Three securing the future of local public services.

7. Policy Framework

7.1 N/A

8. Legal Issues

8.1 None.

9. Governance Issues

9.1 The market rental Value for the units at both Lease renewal and rent review must be both recommended for acceptance by the Chartered Surveyor acting as property agent as well as recommended for acceptance by the Estates and Assets Manager.

10. Sustainability

10.1 All things being equal, a faster authorisation process should mean greater occupancy, therefore greater income providing greater financial sustainability.

11. Risk Management

11.1 To keep a long authority process increases the risk of the tenant looking elsewhere for a property that they can take occupation faster.

12. Equalities Impact

12.1 No issues identified

13. Human Rights

13.1 No issues identified

14. Community Safety

14.1 A faster authorisation process should assist with the continued occupancy of the units. Keeping the units full limits the risk of damage, vandalism and unsociable behaviour.

15. Consultation

15.1 The matter has been discussed with the managing agents Hurst Warne and they have requested that we streamline our authorisation process as much as possible, as delays can lead to problems either retaining or getting new tenants. In the market other private landlords do not have the same restrictions and the length of time it could take the Council to make a decision gives them an advantage.

16. PR And Marketing

16.1 None specific

17. Officer Comments

17.1 None Specific

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| Annexes | None |
| Background Papers | |
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Consultations, Implications and Issues Addressed

| Resources | Required | Consulted |
|------------------|-----------------|------------------|
| Revenue | ✓ | |
| Capital | | |
| Human Resources | | |
| Asset Management | | |
| IT | | |

| Other Issues | Required | Consulted |
|---------------------------------------|-----------------|------------------|
| Corporate Objectives & Key Priorities | ✓ | |
| Policy Framework | | |
| Legal | ✓ | |
| Governance | ✓ | |
| Sustainability | ✓ | |
| Risk Management | ✓ | |
| Equalities Impact Assessment | ✓ | |
| Community Safety | | |
| Human Rights | | |
| Consultation | | |
| P R & Marketing | | |

Review Date:

Version: