

Briefing Note 4th March 2021

Industrial Portfolio Review and Actions

Background

- In May 2019 the Chartered Institute of Public Finance and Accountancy (CIPFA) undertook a detailed review of our industrial portfolio. The report identified that our portfolio ***'generates significant income and requires intensive management to keep it operating'***.
- We know from the EDU enquires that there is good demand for industrial space in the Borough in a variety of sizes and locations.
- The Portfolio provides a valuable resource to the Council in establishing the foundations for SME's to develop within the Borough.
- The report highlighted a number of issues and outlined recommendations to improve the performance of the estate.
- These have formed the basis of the Industrial Portfolio Review and subsequent actions.

Strategic Purpose

- The purpose of the work is to ensure that the Industrial Portfolio becomes a net income generating asset for the Council. This will facilitate the growth of SME's within the Borough, support job creation and provide a supply of specialist property not currently met by the private sector.
- In order to do this, we must take a professional approach to property management, ensuring the portfolio is fit for purpose, now and in the future.

Action Plans

- An Industrial Unit Team Leader was appointed on the 1st February 2021 with the objective of implementing the report recommendations.
- To date we have undertaken the following:
 - Completed a review of all lease documentation and implemented changes to improve consistency and commerciality across the estates.
 - Identified pilot sites for the implementation of a new service charge system.
 - Identified key working groups to take forward specialist projects in the following areas:
 - Statutory testing and maintenance obligations.
 - Finance and accounting.
 - Development of new asset management structure.

Time scales

Based on the work involved and persons required for each task the following are a selection of headline objectives with provisional time scales.

| From | Task |
|--------------|--|
| 0-6 Months | <ul style="list-style-type: none">○ Implementation of project sub-groups to push forward with priority objectives.○ Review of estates profile to highlight high risk areas.○ Implementation of compliance work on high risk sites.○ Set up shadow trading account system |
| 6-12 months | <ul style="list-style-type: none">○ Begin rolling program of statutory inspections.○ Begin the implementation of service charges in pilot estates.○ Complete new asset management structure.○ Identification of outstanding rent reviews and lease renewals to help grow rent roll. |
| 12-24 months | <ul style="list-style-type: none">○ Continued roll out of service charges.○ Identify strategic investment opportunities. |

Expected Outcomes

The last 12 months has not provided us with an opportunity to manage the portfolio in normal trading conditions due to the pandemic and its effect on businesses. Over the course of the next 12 months we expect the proposed changes to the management of the industrial estates to being to deliver positive cash flow to the Council.

Reinvestment of revenue generated from the units will facilitate this together with WG grant opportunities in areas such as decarbonisation, highways improvements and broadband infrastructure.

Longer term, increased occupancy levels will also enable an effective service charge regime which will improve the overall appearance of the estates and add significant value to the Council balance sheet.