Strategic Business Reviews

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			Estimated Achievement 2020/2021		**Estimated Achievement 2021/2022**		**Estimated Achievement 2022/2023**		**Estimated Achievement 2023/2024 & 2024/2025**		**BRAG Status**
Review **Industrial Portfolio**	**Corporate Priority**	**Scope**	**Low** **-£300**	**High** **-£200**	**Low** **£100**	**High** **£200**	**Low** **£100**	**High** **£200**	**Low** **£100**	**High** **£200**	**Amber**
Maximising Income											
Industrial Portfolio	Economic Development & Regeneration		100	100	100	150	100	100	0	50	
		To review the Council's Industrial Unit Portfolio to identify areas for improvement and opportunities for change to ensure the service operates to maximise income and income efficiency in our net income streams. BRAG is **Amber** as we are on hold, and in a temporary situation that will improve when the market returns, but this will take 12-18 months. We are viewing this as a long term portfolio holding (in the main) and so it should not affect the overall investment in the long term. **Update on Progress** The review is in its final stages of comments from the corporate project team that has been set up to review the portfolio are currently being fed back to the consultant. The consultant working on the industrial review report Wayne Locke and I have linked in with Stephen Giacchino in terms of figures and general direction of travel and the two are in agreement on the proposed direction of travel. A finance report on setting up a trading account has been taken through xxxxxx Committee and the next stage is…..? Gina/Sandra to add details A number of key recommendations and clear actions have been identified and are attached to this report. Generally summed up these are: • We have the ability to manage the units in a more efficient and effective way but we need ownership to be in one team and to change the culture of the rest									

		of those involved; and this will need to be led by a project manager. The post created in the Restructure in 2019/20 (Team Manager Industrial Units) has now been shaped from the work done on the review and we will be going out for a first attempt at recruitment – this post will do that PM job too. • By using more detailed codes and a different financial treatment and to show the overall income generated on a unit by unit and estate by estate basis we will be able to estimate which estates are making money and which are not. This will take around 12 months from when we implement the changes so we can have a full year's accounting using the new process. We can then assess those estates that are not performing against other benefits they bring like increasing start-ups in BG and whether the costs outstrip the benefits. The financial codes have now been set up and invoicing will need to be much stricter. • The service charges that need to be brought in must follow the capital works to bring all estates up to a standard that will warrant tenants' payment for those services. This area needs addressing first with capital investment and then using the tenants' service charges as the revenue. This service must be slick and responsive and may need to be sourced and procured from outside the Council. • Marketing of the units needs work to ensure a constant message is out in the property market place. However individual unit marketing also needs some attention to improve how we market different size/types of unit to different size customers. • Our overall approach to H&S around things like asbestos in buildings is too overbearing and there are good examples of asbestos risk mitigation with clear management plans and tenant agreements that overcome these issues in other authorities/management agencies. • Other Departments that use, or are housed in industrial units need to pay for the space they are using as this distorts the bottom line of the income stream the units currently bring in.	

		• Around a quarter of the portfolio remains on licenses which hold the Council to all repairs and these have been changed as soon as the opportunity has arisen, and will continue. Generally lease renewals can only take place at various agreed points within the tenancy. Lease terms still need be standardised and modernised across the portfolio to enable equitable, efficient and accountable management structures • Proactive communication, integrity and financial accountability on the part of the Landlord when dealing with its tenant occupiers will directly serve to enhance the portfolio's long-term financial performance • Capital expenditure should be strategically planned based on asset management intelligence and value. The new financial management tools will allow the new Team Manager for Industrial Units to do this. Until now expenditure on units has been disproportionate and not based on the value of income derivable from the investment. • Rates liabilities are being examined and rates mitigation measures assessed to assist with the running of the portfolio. This is a separate instruction with Cooke & Arkwright. Overall the review has confirmed that the industrial portfolio is worth keeping if the management and investment improves as we have a £7m asset that could be worth £12m in a few years with around £800k net income p/a. **Financial Impact 2020/2021** • Rental income budget increased by £100,000 to £827,530. • As a result of COVID-19, GOLD/CLT agreed April 2020 would be rent free for all units resulting in lost income of around £68,500.	

		• The full impact of the COVID19 pandemic is not yet known and unfortunately not only will it be felt for the next 12 – 18 months (in terms of immediate business closures) but it will disproportionately affect areas like BG and their businesses. • One of the key findings from the current COVID research is that the lack of digital maturity in BG (businesses) is seriously affecting the way in which they are able to cope with and adapt to the 'new normal' which the pandemic has enforced. This could account for more business closures in the County Borough. • We have estimated that around 25% of businesses in our own units may well fold following the COVID19 crisis. This would probably happen from May 2020 onward due to bankruptcy. This would equate to an annual income loss of up to £250k*, clearly it would only be part of that, say 9 -10 months, but on top of that would be dilapidation costs to consider (in the case of bankruptcy this would fall to us) and/or refurb of units, EPCs and marketing to bring the units back in to use. So £200k* potentially may be a ball park figure to use in this scenario. ***These figures; and this situation depend a great deal on whether WG get money out to businesses to assist their cash flow – the most important thing to SMEs. In the main, complaints we are receiving around the emergency grants is they are progressing too slowly and a number of businesses will fail before receiving their money. The slower WG are, the more businesses we will lose.* • We may make up some of this cash with new businesses moving into vacated units within the 12 months following the lockdown period, so long as they can operate within COVID guidelines in those units. This number is quite difficult to estimate though, however we can improve our marketing to raise awareness of the units across SEW which could result in increased interest. On-shoring of more supply chain companies may enable more businesses to set up here that didn't exist before. • Based on this assessment there is risk around the additional £100k estimate for 20/21. If our predictions are correct we would need to secure £300k in 20/21 to	

		achieve that original £100k figure. This will be even more difficult if we have not secured the Team Manager for Industrial Units position to focus on delivery due to the market and other issues around recruitment under the COVID19 restrictions. • Forecasts from industry estimate that some sectors could see production dip by 50% in worst cases with recovery slow over the next 12-18 months	