

CABINET	AGENDA ITEM No. 7
21 MARCH 2016	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Resources	
Contact Officer(s):	Simon Machen, Corporate Director Growth and Regeneration	Tel.453475

LEASING COUNCIL OWNED PROPERTY TO START-UP AND FLEDGLING BUSINESSES

RECOMMENDATIONS	
FROM : Duncan Blackie – Interim Assistant Director Property Services	Deadline date : N/a
<p>1. That Cabinet agrees a scheme to let Council owned retail and industrial units to fledgling and start-up businesses for short periods on 'easy in easy out' rent free terms at the following locations:</p> <ul style="list-style-type: none"> a) Herlington Centre, Orton Malborne b) Pyramid Centre, Bretton c) Alfric Square, Woodston d) Saville Road, Westwood <p>2. That the Corporate Director Growth and Regeneration, in consultation with the Corporate Director Resources be given delegated authority to extend the scheme.</p>	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet following approval of the Phase 2 Budget Proposals by Council on 9 March 2016 which included a proposal to use empty Council owned commercial properties to support new businesses.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to seek approval from Cabinet to implement a scheme to support new and fledgling companies to lease Council owned property for an initial rent free period, subject to the company paying normal business costs such as rates and utility charges.
- 2.2 This report is for Cabinet to consider under its Terms of Reference No 3.2.3 To take a leading role in promoting the economic, environmental and social well-being of the area.

3. TIMESCALE .

Is this a Major Policy Item/Statutory Plan?	NO
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4. PROPOSED LETTING OF COUNCIL RETAIL AND INDUSTRIAL UNITS TO START UP AND FLEDGLING BUSINESSES

- 4.1 The Council has units within its ownership to let in retail and industrial locations across the city as part of its commercial investment portfolio.
- 4.2 This proposal would see premises let on a short term basis rent free to start-up and fledgling businesses in an effort to both support the growth of those businesses and bring units into use that can prove difficult to let. By doing so this would improve the vibrancy of the Council's assets and encourage other potential occupiers to consider taking space. We have worked closely with Opportunity Peterborough to bring forward this initiative, and they would provide wider support to the businesses concerned.
- 4.3 The four locations best suited to this are: Alfric Square, Saville Road, Herlington Centre and Pyramid Centre. These centres have historically proved problematic to let.
- 4.4 The table below shows the vacancies for each location for the years 2012-2015.

Location	Number of vacant units			
	2012	2013	2014	2015
Alfric Square (32 units)	3	4	9	11
Saville Road (19 units)	2	4	3	2
Herlington Centre (17 units)	4	5	3	4
Pyramid Centre (6 units)	2	1	1	1

- 4.5 The Council's Phase 2 Budget Proposals approved by Council on 9th March 2016 show the proposal as cost neutral as many of the units concerned are currently vacant and there is an allowance for this in the annual income forecast. The terms of letting will allow flexibility for both the Council as landlord and for tenants. For example, if the assets were approaching full occupation and demand was demonstrated then the Council retains the flexibility to review the tenant line up with the overall aim of maximising income for the Council in the long term.
- 4.6 Serco will work with legal services to prepare a lease which allows both landlord and tenant 'easy in easy out' terms thus allowing flexibility for both parties. The intention is to enable the tenant or the Council the ability to terminate the lease subject to an agreed notice period, but giving businesses the certainty of a minimum lease period. The tenant will be responsible for business rates, utility costs and any service charges.
- 4.7 If the Council identifies a full commercial letting and the short term tenancy is unable to match it, then notice could be served and the unit let to a full paying tenant. However, other options would be discussed with the existing tenant for alternative accommodation if available, and Opportunity Peterborough would help to identify an alternative solution.

5. CONCLUSION

- 5.1 Implementing the proposal will assist the Council in easing its financial liabilities on vacant units whilst at the same time supporting new and fledgling businesses in the city. The Council will work with Opportunity Peterborough to identify and support prospective tenants. The proposal supports the work of Opportunity Peterborough and Allia through the Eco Innovation Centre and the recently opened Future Business Centre around skills development, innovation, business start-up and business incubation.

6. CONSULTATION

6.1 The proposal was included as part of the Phase 2 Budget Proposals consultation process.

7. ANTICIPATED OUTCOMES

7.1 It is anticipated that adopting this policy will:

- a) Reduce the Council's liability for void rates on long term empty property;
- b) Assist new and fledgling companies to establish and grow;
- c) Improve the attractiveness of the Council's property asset by having more let units, thereby encouraging further commercial lettings and helping to retain existing tenants.

8. REASONS FOR RECOMMENDATIONS

8.1 These proposals will assist with letting of Council owned vacant commercial units and supporting new and fledgling businesses in their early stages.

9. ALTERNATIVE OPTIONS CONSIDERED

9.1 Do nothing

9.1.1 The Council would remain financially liable for void rates and other property costs associated with void premises. The proposal recommended offers an opportunity to better manage the Council's ongoing liabilities on vacant premises.

10. IMPLICATIONS

10.1 Property Implications

10.1.1 The Council will continue to let commercial units, however by implementing the policy will have greater flexibility to agree terms with start-up and fledgling businesses.

10.2 Legal Implications

10.2.1 It will be necessary to prepare a new standard 'easy in easy out' terms lease.

10.3 Financial Implications

10.3.1 The Council's Phase 2 Budget Proposals approved by Council on 9 March 2016 shows the proposal as cost neutral as many of the units concerned are currently vacant.

11. BACKGROUND DOCUMENTS

The Council's Budget 2016/17 approved by Council on 9 March 2016.

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