



Commercial Property Management Policy

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1.0 Introduction

- 1.1 This policy details the overall management of the commercial property portfolio, comprising 36 commercial units. These assets generate approximately £208,975 of income per annum and had an asset value of £2,529,250 as of March 2022. All commercial units are situated within the former local authority operating area of Sedgefield Borough Council and contribute to sustaining communities by providing amenities and employment opportunities for the local community.
- 1.2 This policy has been developed in conjunction with tenants taking account of customer voice feedback.

2.0 Purpose

- 2.1 The purpose of this policy is to ensure the management of the commercial portfolio is clear and consistent with equitable decision-making that has a positive impact on local neighbourhoods.
- 2.2 To establish clear standards and procedures for the consistent letting of commercial units.
- 3.3 To enable us to maximise income and support communities through the provision of commercial assets which provide amenities such as local shops.

3.0 Principles

- 3.1 This policy and its supporting procedures reflect our corporate values of trust, respect, innovate and working together.
- 3.2 This policy ensures that commercial properties are managed in conjunction with the asset management policy (AMP) which sets out how investment decisions are made that will enable the most beneficial use of assets.

4.0 Definitions

4.1 The key terms used in this policy are defined below.

Tenant mix strategy	A combination of business establishments occupying space in a shopping parade to form a platform that produces optimum sales, rents and service to the community.
Voluntary and Community Sector Organisations	Also known as the non-profit sector is usually comprised of organisations whose purpose is to benefit and enrich society.
Anchor/draw tenant	Larger tenant, often with a chain of shops, who attract a significant cross section of the shopping public to the area.

5. Scope

5.1 This policy applies to all Board members, employees and all contractors delivering services in respect of our commercial properties on our behalf.

6.0 Contribution to Plan A

6.1 All our commercial units are situated within our core communities and provide social value by assisting the Supporting Sustainable Places Strategy vision to deliver 'Beautiful, sustainable and thriving places meeting residents' need aspirations and nurturing a sense of pride and belonging', by offering a range of good quality retail shops. Objective 15 sets a key action to deliver employability to improve economic sustainability of places, our shops offer employment opportunities for the local community.

7.0 Legislative and regulatory framework

7.1 The principal legislation applicable to this policy is as follows:

- o Landlord and Tenant Act 1954
- o Competition Act 1998

8.0 Policy statements

Tenant Mix Strategy

- 8.1 When letting commercial properties we will seek to create a sustainable tenant mix, including an anchor/draw tenant where possible, the aim of which is to maintain a good balance of products and services which are beneficial for both other retailers and for the local community and neighbourhood.
- 8.2 When letting our commercial properties, we will consider the Competition Act 1998 (prohibition of anti-competitive agreements) and related guidance from the Office of Fair Trading.
- 8.3 Consideration of applications by organisations from the Voluntary and Community Sector will also be considered on the non-economic social benefits they may bring to the local and wider community.

Prohibitive Uses

- 8.4 We will ensure that we prohibit the allocation of our shops for any purposes that conflict with our policies on equality, diversity, and inclusion.
- 8.5 We will ensure that we prohibit the allocation of our shops for any immoral or illegal purposes including but not limited to:
 - o Adult / sex retailing
 - o Use of the premises for a hazardous purpose or which involves the use of hazardous materials
 - o Pay day loans / financial lending but not including community- based credit unions
 - o Shops that solely retail smoking products including vape pens

Social Return

- 8.6 We recognise that the prime goal of commercial properties located on housing estates will be to provide facilities for the local community and thus contribute to the sustainability of an area or neighbourhood while providing local employment opportunities.

Commercial Leases

- 8.7 The typical term of the lease will be six years, however, there is flexibility within the terms of the lease to reduce or extend this period if required. Where possible, all leases will follow a similar format for consistency.

- 8.8 The lease sets out the rent payment terms and includes a periodic rent review typically three years of the lease term.
- 8.9 The tenant will be responsible for all internal repairs and decorations together with all repairs to window frames, glass and doors throughout. The tenant will also be responsible for insuring their own contents, stock etc.
- 8.10 We will be responsible for external and structural repairs to the premises and will arrange building insurance, the cost of which will be recharged to the tenant.
- 8.11 The granting of the lease will be subject to the receipt of satisfactory trade and financial references, and the lease shall contain other terms, conditions, covenants, and stipulations.
- 8.12 Tenants may on occasion approach us with a view to purchasing their commercial property. The Land and Property Valuer will consider the proposal in line with the current asset management policy, value, and likely yield of the asset together with the implications to the community of selling the asset and the future management of the parade/asset.

Voluntary and Community Sector Leases

- 8.13 The Land and Property Valuer will consider whether to let a commercial property to a Voluntary and Community Sector Organisation (VCSO) at market rates or on concessionary terms in accordance with the Commercial Property Management Procedure.
- 8.14 The Land and Property Valuer may also consider letting a property which has been earmarked for sale but for which there is no demand in the market to a VCSO.
- 8.15 The general principle for all lettings is that a lease of a commercial premises will be made at current market value unless there is a demonstrable benefit to the community by the VCSO and a funding gap can be demonstrated by the organisation.
- 8.16 A concession may be refused or limited if it is considered that the financial cost outweighs the benefits generated through the concession.
- 8.17 A concession will be considered if there is no current demand for the asset and it is preferable that the asset is occupied rather than remain empty.

8.18 The level of concession will be tiered in accordance with associated procedures based upon the benefits of that VCISO organisation to the community; and their ability to pay. The maximum concession level to be granted will be 100% of the current market rental value of the property.

Health and Safety Issues

8.19 The responsibilities of tenants are clearly stated within the terms of each individual lease to ensure that all legislative requirements are met. Additional assistance is provided within the Commercial Tenant Handbook.

9.0 Roles and responsibilities

9.1 Roles and responsibilities under this policy are outlined below.

<p>Finance and Investment Committee</p>	<p>The Finance and Investment Committee has overall governance responsibility for ensuring this policy is fully implemented to ensure full compliance with legislation and regulation. As such, the Committee will formally approve this policy and review it three years (or sooner if there is a change in legislation or regulation).</p>
<p>Executive Director of Finance and Investment</p>	<p>The Executive Director of Finance and Investment will execute and administrate commercial property management decisions in accordance with this policy.</p> <p>The Executive Director of Finance and Investment has the delegated authority to consider all applications for a commercial lease and to exclude any business or organisation that may prove detrimental through association or have a detrimental impact on a neighbourhood.</p>
<p>Head of Development</p>	<p>The Head of Development will implement this policy and monitor service compliance is in accordance with the policy and associated procedures.</p>

<p>Land and Property Valuer</p>	<p>Management of the commercial property portfolio is undertaken by the Land and Property Valuer, who will ensure the delivery of a quality customer focussed service to support both retailers and consumers.</p> <p>Through the Performance Management Framework, the Land and Property Valuer will monitor a series of performance measures to ensure service delivery meets key targets set.</p>
<p>Finance Team</p>	<p>The Finance Team will control the collection of rent and monitor rent arrears.</p>

- 9.2 This policy will be communicated to our customers via our website. This policy will be saved on our intranet and available to all employees.

10.0 Related policies and procedures

- 10.1 This policy should be read in conjunction with the following documents:

<p>Commercial property management procedure</p>	<p>The purpose of this procedure document is to formalise and detail the process of letting a commercial property including the management of units to ensure clear, consistent and equitable decision-making that has a positive impact on local neighbourhoods. To set standards for the letting of commercial properties. To maximise income and support communities through the provision of commercial assets which provide amenities such as local shops. To ensure that a commercial unit provides yields that fall within the agreed targets for gross and net yields set out in the Asset Management Policy.</p>
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11.0 Monitoring and review arrangements

- 11.1 We will report the performance of our commercial properties to ensure service delivery meets key targets set, including gross yield and rental income achieved as part of level 3 performance indicators in the Performance Management Framework on a quarterly basis.
- 11.2 This policy will be reviewed every three years unless there is significant development that would require a more urgent review e.g. new legislation or regulations.