

DATA LABEL: PUBLIC



**COUNCIL EXECUTIVE**

**PROPOSED COMMERCIAL PROPERTY PORTFOLIO STRATEGY AND MANAGEMENT PLAN 2021/22 TO 2027/28**

**REPORT BY HEAD OF FINANCE AND PROPERTY SERVICES**

**A. PURPOSE OF REPORT**

The purpose of this report is to seek Council Executive approval of the proposed Commercial Property Portfolio Strategy and Management Plan 2021/22 to 2027/28.

**B. RECOMMENDATION**

It is recommended the Council Executive:

1. Approves the content of the report.
2. Considers and approves the implementation of the proposed Commercial Property Portfolio Strategy and Management Plan 2021/22 to 2027/28 as set out in the appended report.

**C. SUMMARY OF IMPLICATIONS**

<b>I Council Values</b>	Focusing on our customers' needs; being honest, open and accountable; working in partnership.
<b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	The disposal and leasing of property is governed by S74 (2) of the Local Government (Scotland) Act 1973 and the Disposal of Land by Local Authorities (Scotland) Regulations 2010.
<b>III Implications for Scheme of Delegations to Officers</b>	None.
<b>IV Impact on performance and performance Indicators</b>	There are currently a number of performance indicators related to the performance of the Commercial Property Portfolio and these are outlined in the strategy. Additional performance measures are proposed to be introduced and these are outlined in the strategy together with initial targets.  The strategy will provide a framework for demonstrating the performance of the council's commercial property assets.

<b>V</b>	<b>Relevance to Single Outcome Agreement</b>	We make the most efficient and effective use of resources by minimising our impact on the built and natural environment.  Our economy is diverse and dynamic, and West Lothian is an attractive place for doing business.
<b>VI</b>	<b>Resources - (Financial, Staffing and Property)</b>	The strategy focuses on the steps to improve the performance of the portfolio and enhance the performance indicator mechanisms required to quantify measurement.
<b>VII</b>	<b>Consideration at PDSP</b>	The proposed Commercial Property Portfolio Strategy and Management Plan 2021/22 to 2027/28 was presented to the Partnership and Resources Policy Development and Scrutiny Panel on 20 August 2021 with no adverse comments.
<b>VIII</b>	<b>Other consultations</b>	None.

## **D. TERMS OF REPORT**

### **D.1 Background**

West Lothian Council has a substantial history of providing quality commercial property to support the local and national economy whilst accommodating a significant number of businesses ranging from small independent local companies to national and international organisations.

The council's non-operational portfolio, also known as the Tenanted Non-Residential Portfolio (TNRP) comprises over 730 leased or licenced properties, 570 of those are offered for lease on commercial terms which form part of the core Commercial Property Portfolio (CPP). The CPP mainly consists of traditional commercial property regularly transacted such as retail, office, industrial and other lettable land and property assets.

The management of the CPP has developed alongside the council's corporate aims and objectives which builds upon a consistent approach to the established principles of the Corporate Asset Management Strategy and Property Asset Management Plan (PAMP). The proposed CPP Strategy and Management Plan will build upon these and provide a framework for the management and governance applicable to the unique nature of commercial property assets.

### **D.2 Summary of the Commercial Property Portfolio (CPP) Strategy and Management Plan**

#### **D.2.1 Strategy Vision**

The CPP Strategy and Management Plan comprises a series of activities and associated performance measures to demonstrate the council's vision '*to manage assets efficiently and effectively to support the achievement of corporate priorities and outcomes*'.

The specific aims and objectives for the CPP Strategy and Management Plan are as follows;

- Enable the council to support/influence economic development and regeneration activities.
- Support local, national and international business requirements and market led business space requirements.
- Support local employment and business growth.
- Effectively and efficiently manage the portfolio to sustain its performance over the long term to provide a legacy for future generations to benefit.
- Provide valuable recurring and consistent revenue income to support wider council service delivery.
- Supporting where appropriate transformation of other services.

The strategy seeks to encompass best practice and guidance for the management of commercial property whilst supporting business space provision and economic development.

### **D.2.2 Priorities, Actions and Targets**

The CPP Strategy and Management Plan reflects the council's corporate approach to asset management. It incorporates the council's approved Corporate Asset Management priorities and a number of other strategic priorities applicable to commercial property performance. The strategy and management plan identifies a number of activity themes, performance measures and actions to measure progress. These are designed to sustain and where possible enhance performance. The priority outcomes and performance measures are as follows:

Compliance	Properties are statutorily and regulatory compliant.
Condition	Properties are in satisfactory or better condition.
Suitability	Properties are suitable for letting and use.
Sufficiency and Utilisation	The portfolio is sufficient to meet demand and not underutilised (voids).
Accessibility	Properties are accessible for people with disabilities and also available across the county in communities where private provision is insufficient.
Financial	The portfolio will provide sustained and increasing valuable revenue for the council.
Sustainability	Properties and agreements are suitable to attract tenants and a diverse range of business uses.
Economic Regeneration	The portfolio will contribute positively and influence business space provision in West Lothian and support economic development and regeneration priorities.
Good Estate Management	The portfolio will be managed in accordance with recognised effective and efficient commercial property principles and reflect Council Values.

Performance indicators, current and future actions have been identified for each priority performance outcome and are outlined the relevant sections of the proposed CPP Strategy and Management Plan.

In order to monitor progress against the outcome targets, performance and actions will be reported annually throughout the course of the strategy life cycle further determining the efficient management of the CPP.

#### **E. CONCLUSION**

The council owns substantial commercial property assets that support economic development in West Lothian. The proposed Commercial Property Portfolio Strategy and Management Plan will build upon existing council asset management strategies by providing a specific framework for the effective and efficient management of commercial property. The priority performance outcomes and identified actions establish the focus activities and will be used to monitor progress.

#### **F. BACKGROUND REFERENCES**

Council Corporate Plan 2018/19 to 2022/23.  
Corporate Asset Management Strategy 2018/19 to 2027/28.  
Property Asset Management Plan 2018/19 to 2027/28.

#### **Appendices/Attachments:**

Commercial Property Portfolio Strategy and Management Plan 2021/22 to 2027/28.

Contact Person: David Metcalf, Commercial Portfolio Manager, Property Services.  
Tel: 01506 283 287. E-mail: david.metcalf@westlothian.gov.uk

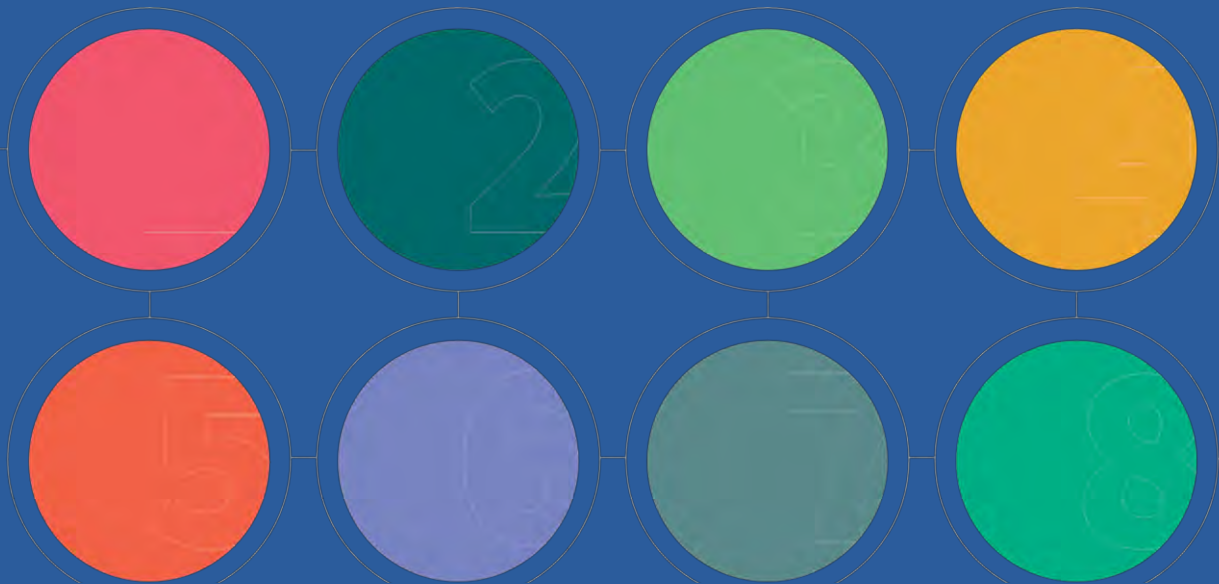
**Donald Forrest**  
**Head of Finance and Property Services**

**Date of meeting: 7 September 2021**

Data label: Public

# COMMERCIAL PROPERTY PORTFOLIO STRATEGY AND MANAGEMENT PLAN

2021/22 to 2027/28



## Welcome to the Commercial Property Portfolio Strategy

West Lothian Council has a long substantial history of providing quality commercial property to support the local and national economy. It has accommodated a significant number of businesses ranging from independent local companies and small to medium enterprises to established national and international businesses and organisations. The commercial property portfolio has developed and evolved over several years to meet varying economic challenges and opportunities.

The purpose of the Commercial Property Strategy is to provide a clear statement of the council's continued aspirations, aims and objectives to ensure the commercial property portfolio supports the local and national economy. This will be achieved through the provision of the best possible commercial premises that are managed effectively and efficiently for our customers and stakeholders together with providing a valuable revenue income to support wider council services.

The overall non-operational property portfolio, also known as the Tenanted Non-Residential Portfolio (TNRP) comprises over 730 leased or licensed properties. Within the TNRP there are over 570 properties that are offered for lease on commercial terms which form the core Commercial Property Portfolio (CPP). The CPP mainly consists of traditional commercial property types that are regularly transacted such as retail, office, industrial and other lettable land and property assets.

This document sets out the council's forward planning of the CPP and establishes the strategy and framework to sustain and where possible improve performance.

To ensure a consistent approach to the management of the CPP as with other property assets the principles of the strategy and plan contained within this document reflect the priorities and performance frameworks established by the approved Corporate Asset Management Strategy and Property Asset Management Plan (PAMP), The PAMP comprises property to support the direct delivery of services (operational property) and the TNRP (incorporating the CPP).

The Corporate Asset Management Strategy and the Property Asset Management Plan set out a number of activities and associated performance outcomes to demonstrate the council's vision "*to manage assets efficiently and effectively to support the achievement of corporate priorities and outcomes*". The CPP shares this vision.

In summary, the wider specific aims and objectives for the CPP are to:

- ◆ Enable the council to support/influence economic development and regeneration activities.
- ◆ Support local, national and international business requirements and market led business space requirements.
- ◆ Support local employment and business growth.
- ◆ Effectively and efficiently manage the portfolio to sustain its performance over the long term to provide a legacy for future generations.
- ◆ Provide valuable recurring and consistent revenue income to support wider council service delivery.
- ◆ Supporting where appropriate transformation of other services.

The strategy seeks to encompass best practice and guidance for the management of commercial property; to support business space provision and economic development. It establishes the framework to actively manage and improve the performance of the CPP to meet the council's strategic and management aims.

# Corporate Overview and Management Strategy

## 1 CORPORATE OVERVIEW

The council has an approved Corporate Plan, which sets out eight priorities that have been developed in consultation with our local communities, partner organisations, stakeholders, staff and trade unions. These priorities, inform the activities that the council will undertake in order to achieve better outcomes for West Lothian.

A well-managed commercial property portfolio is essential for the council to support its Corporate Plan which includes the following relevant strategic priorities:

- ◆ Minimizing poverty, the cycle of deprivation and promoting equality.
- ◆ Improving the employment position in West Lothian.
- ◆ Protecting the built and natural environment.

### 1.1 Corporate Asset Management Strategy

The council has a corporate asset management strategy and corporate asset management plan that establishes the framework for performance of operational and non-operational property assets.

Performance outcomes include; Statutory Compliance, Condition, Suitability, Sufficiency, Utilisation and Accessibility, Sustainability, Financial, Economic Regeneration and Good Estate Management. The successful management of the CPP will be measured against these outcomes and associated priorities which will also be utilised for the prioritisation of budget allocations.

This document sits within the Council's corporate strategic asset management hierarchy and helps to define the framework on which all commercial property decisions and management operations should be based to ensure a consistent approach in the planning, management and reporting of the CPP;

- ◆ Council Corporate Plan 2018/19 to 2022/23.
  - ◆ Corporate Asset Management Strategy 2018/19 to 2027/28.
    - ◆ Property Asset Management Plan 2018/19 to 2027/28.
      - ◆ CPP Strategy and Management Plan 2020/21 to 2027/28.

In addition to supporting strategic aims, the Council is also committed to a process of risk management including identification, management and mitigation of key risks, protecting and making best use of assets, to ensure that the CPP is capable of delivering its strategic aims and objectives.

## Strategic Context, Aims and Outcomes

### 2. STRATEGIC CONTEXT, AIMS AND OUTCOMES

#### 2.1 Strategic Context

The council's strategic vision for the CPP is to *"manage the assets efficiently and effectively to support the achievement of corporate priorities and outcomes whilst delivering growing rental and capital values"*.

The CPP strategy and management plan will help realise the investment of expenditure and resource in the portfolio. The strategy will be implemented immediately however there is a requirement to ensure it maintains flexibility to react and overcome challenges that are yet to materialise.

The Commercial Property Portfolio incorporates 570 lettable interests with a gross annual rent of approximately £4.1million. It includes geared ground leases, ground rents, head leases, industrial units, offices, shops, utilities and commercial yards. Excluded from the strategy are let parts of operational property, service delivery leases, agricultural/grazing leases and community benefit leases.

#### 2.2 Strategic Aims

To deliver the vision a number of strategic aims and objectives have been established, these are:

- ◆ Provision of business space capacity and supporting local employment opportunities to meet our communities' aspirations and to respond to evolving needs.
- ◆ Supporting wider corporate priorities as set out in the Corporate Plan and Single Outcome Agreement.
- ◆ Provision of both revenue income and capital growth.

#### 2.3 Strategic Outcomes

To achieve the strategic aims the portfolio requires to be effectively and efficiently managed and sustained. It is envisaged that this will be undertaken via the following activities;

- ◆ Management of the portfolio in the manner that it will maximise income and capital growth.
- ◆ Management of the portfolio in accordance with good estate management practices and all formally approved council policy and procedures.
- ◆ Ensuring robust and transparent governance arrangements are in place.
- ◆ Deployment of effective property management information systems and manage portfolio records efficiently.
- ◆ Ensuring properties are fit for purpose and compliance is well managed.
- ◆ Providing property in accessible locations and supporting tenant accessibility improvements.
- ◆ Evolving the CPP to preserve and enhance where possible the long-term viability and vitality of the assets.



- ◆ Management in accordance with the council's Climate Change Strategy and mitigate the portfolio's impact upon the environment.

To measure achievement and progression towards strategic outcomes, a series of performance measures have been developed and are outlined in the following Strategic Context, Aims and Outcomes section.

## Strategic Context, Aims and Outcomes

### 3 PERFORMANCE OUTCOMES

Performance outcomes and measures have been developed that will demonstrate achievement of the strategic aims and outcomes to the performance of the CPP. The Commercial Property Portfolio Strategy and Management Plan has ten outcomes as follows:



The following section provides a more in-depth rationale and understanding of these specific performance outcomes.

## 1 Outcome - Statutory Compliance

The purpose of the Statutory Compliance Outcome is to demonstrate that commercial properties comply with statutory and regulatory requirements. This outcome ensures all properties are safe and available for use where possible by conducting regular inspections and retaining compliance logs.

The council has an undertaking to ensure premises are safe and compliant where possible prior to agreeing a formal lease. Properties not fit for purpose or compliant are unlikely to be let and achieve a market rent.

Vacant or void premises are managed by the council however flexible arrangements are in place for elements of the estate whereby the council will continue to ensure compliance for tenanted premises. Dependant on individual lease terms either the tenant or landlord will be responsible for certain repairing and maintenance obligations. In order to reinforce and ensure tenants are aware of their lease obligations a Tenant Handbook is also provided to each new tenant.

The council endeavours to let property in a satisfactory condition and provides records of condition and compliance to all new tenants at the date of entry. New leases contain a photographic schedule of condition to distinguish between the condition at the date of entry and the date of expiry/termination date.

### Activities:

The main activities of the service during the period of the strategy will be:

- ◆ Ensuring that statutory compliance certification is produced for properties under the management of the council.
- ◆ Conduct landlord inspections to determine that the appropriate compliance information for the premises is available and in line with contractual obligations.
- ◆ Obtain confirmation of statutory compliance if under obligation of the tenant.
- ◆ All tenants are provided outset of their lease with a handbook that outlines the obligations for statutory compliance.

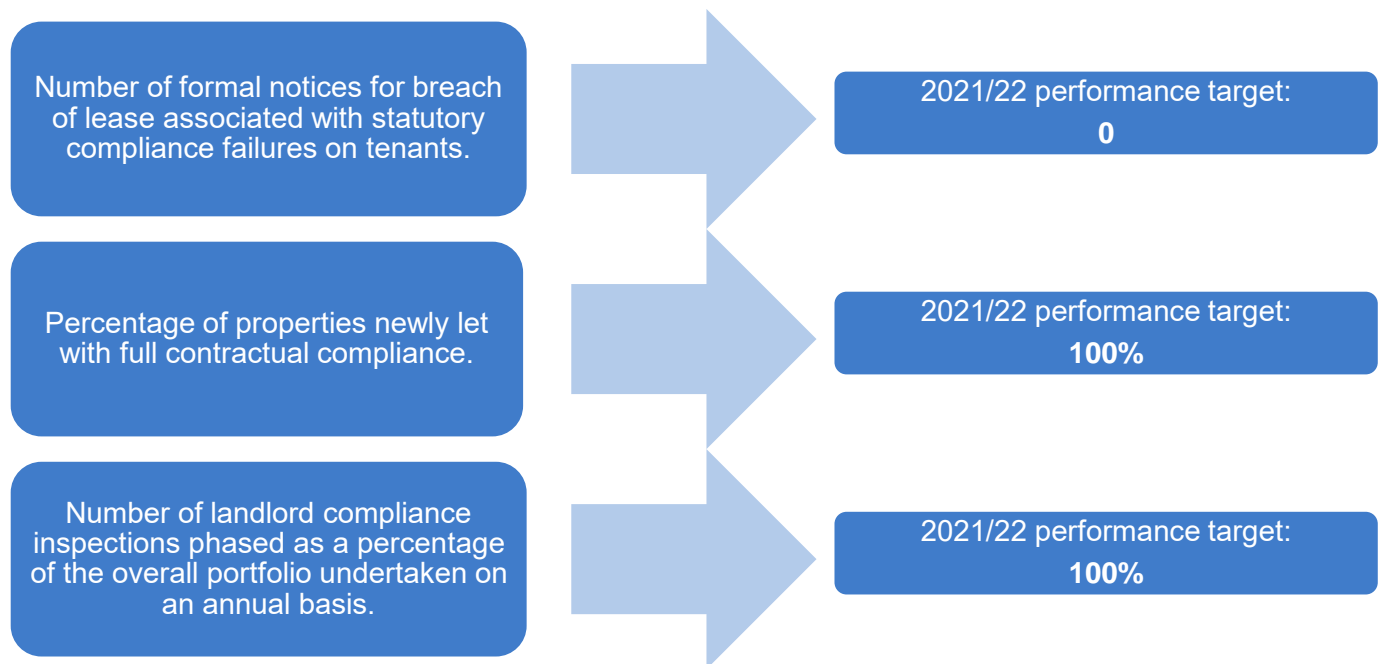
### Performance Indicators:

The main indicators of the service during the period of the strategy will be:

Main Performance Indicators	Reporting Period
Number of formal notices for material breach of lease associated with statutory compliance failures on tenants	Annually
Percentage of properties newly let with full contractual compliance	Annually
Number of landlord compliance inspections phased as a percentage of overall portfolio undertaken on an annual basis	Annually

**Key performance indicators:**

We have identified the key measures of the success for this outcome and will track, monitor and report on our progress in these performance indicators throughout the lifetime of our strategy:



Performance measures will be reported upon from 2021/22 onwards and form the basic framework for demonstrating the achievement of statutory compliance for the portfolio. These will be kept under review and should further key performance measures associated with statutory compliance be required or adapted these will be added and reported upon.

## 2 Outcome - Condition

The purpose of the Condition Outcome is to demonstrate that properties are maintained in a satisfactory or better condition to support the delivery of adequate properties to support businesses, minimising the number of days our premises are unavailable for letting purposes. Ensuring premises are maintained in a reasonable condition can prolong the life expectancy of the units negating an earlier requirement to replace or repair.

The council where possible, ensures premises are in a satisfactory or better condition prior to the date of entry to the incoming tenant. Properties which are not in a reasonable condition are unlikely to achieve a market rent. Vacant or void premises are managed by the council however tenants of occupied premises have an obligation to ensure the premises are maintained in a good and tenantable condition throughout their period of their occupation.

The council lets property that is in safe and compliant condition whereby records of condition and compliance are made available to tenants. All new leases have photographic schedules of condition appended to ascertain condition at the date of entry.

This outcome measures the condition of all property assets to ensure that they meet the minimum criteria for commercial lettings.

### Activities:

The main activities of the service during the period of the strategy will be:

- ◆ Ensuring new lettings are subject to a standard schedule of condition being prepared to capture the current condition of the premises at the date of entry.
- ◆ Undertaking an 'assessment of lettable condition' survey of assets to ascertain condition category and potential need for investment.
- ◆ Continually review and improve turnaround timescales in which properties are defined as being in a lettable condition and made 'available' to let.

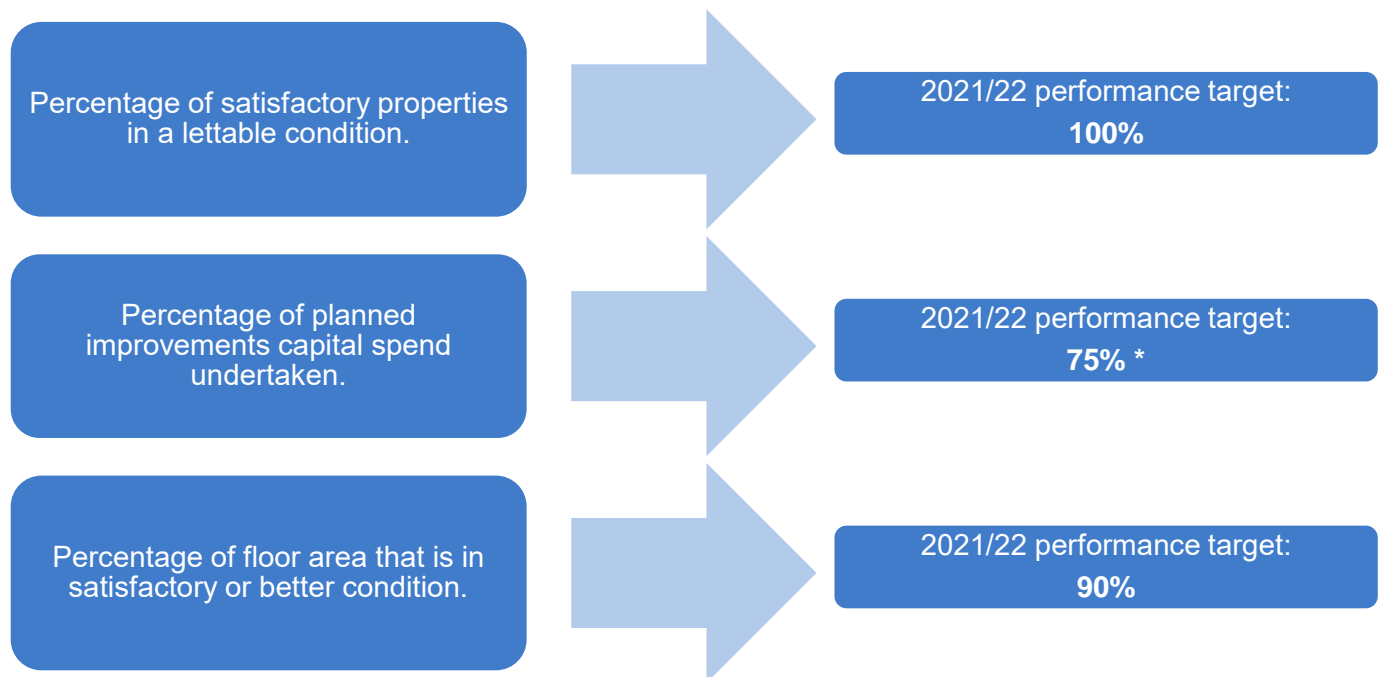
### Performance Indicators:

The main indicators of the service during the period of the strategy will be:

Main Performance Indicators	Reporting Period
Percentage of satisfactory properties in a lettable condition	Annually
Percentage of planned improvements capital spend undertaken.	Annually
Percentage of floor area that is in satisfactory or better condition.	Annually

**Key performance indicators:**

We have identified the key measures of the success for this outcome and will track, monitor and report on our progress in these performance indicators throughout the lifetime of our strategy:



*\* Reflects current Covid-19 pandemic and business restriction challenges from 2022/23, it is intended that this will return to 95%.*

Performance measures will be reported upon from 2021/22 onwards and form the basic framework for demonstrating the achievement of a satisfactory Condition Outcome for the portfolio. These will be kept under review and should further key performance measures associated with condition be required or adapted these will be added and reported upon.

### 3 Outcome – Suitability

The Suitability Outcome demonstrates that properties and agreements are suitable to attract tenants and a diverse range of business uses.

The council seeks to ensure that properties let are suitable to existing and prospective tenant business requirements wherever reasonable possible and practicable.

We engage with tenants to adapt units to suit their individual requirements and enable alterations of a non-structural nature within lease agreements. Whilst there may be costs associated with these in terms of works and obtaining both statutory and landlord consents that must be met by tenants the council will where ever possible provide landlord consent subject to the application of certain reasonable conditions to preserve the long-term suitability and compliance of the property.

#### Activities:

The main activities of the service during the period of the strategy will be:

- ◆ Ensuring tenants are returning the premises suitable for letting at the end of their lease reducing risk to the council, methods to undertake this successfully include the provision of landlord inspections and schedules of condition appended to the lease.
- ◆ Ensuring properties are suitable for commercial use (Office/ Retail/ Industrial).
- ◆ Conducting customer surveys biennially to ascertain suitability of premises from a tenant perspective.
- ◆ Reviewing vacant property assets suitability to market.

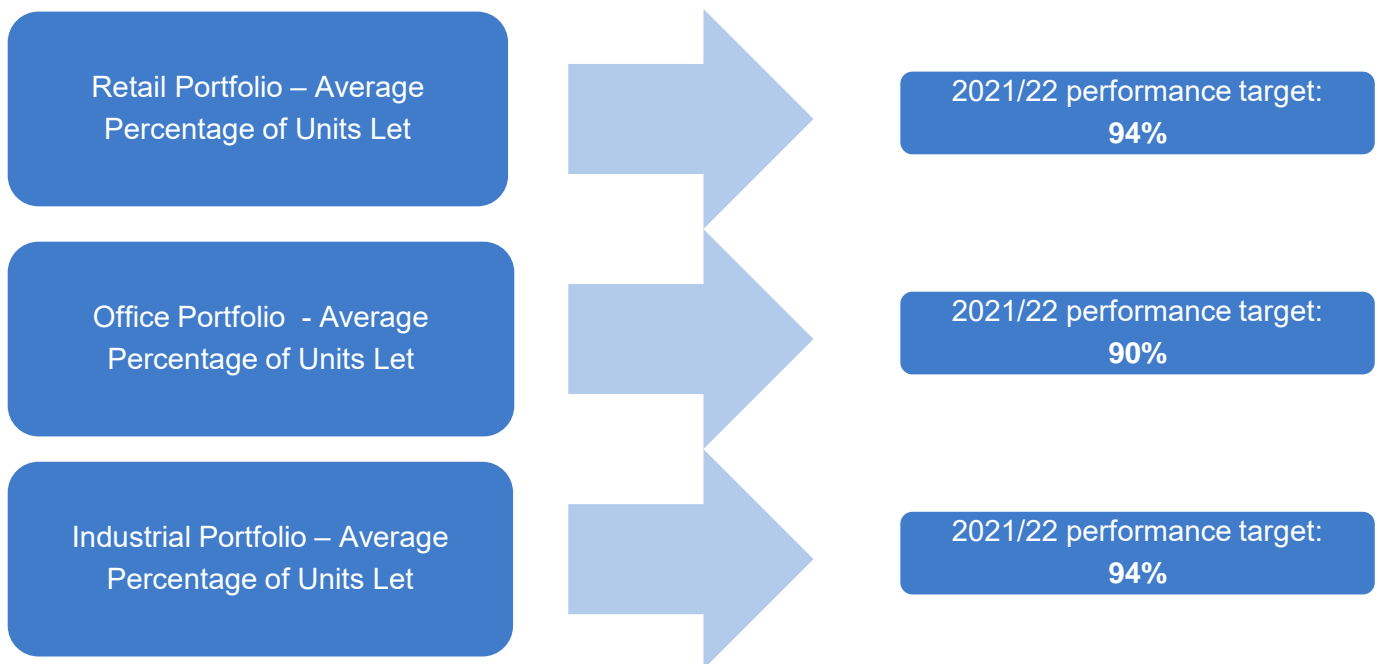
#### Performance Indicators:

The main indicators of the service during the period of the strategy will be:

Main Performance Indicators	Reporting Period
Retail Portfolio - Percentage of Total Units Let	Reported Monthly
Industrial Portfolio - Percentage of Total Units Let	Reported Monthly
Office Portfolio - Percentage of Total Units Let	Reported Monthly
Retail Portfolio – Average Percentage of Units Let	Reported Annually
Industrial Portfolio – Average Percentage of Units Let	Reported Annually
Office Portfolio – Average Percentage of Units Let	Reported Annually

**Key performance indicators:**

We have identified the key measures of the success for this outcome and will track, monitor and report on our performance in these performance indicators throughout the lifetime of our strategy:



Performance measures will be reported upon from 2021/22 onwards and form the basic framework for demonstrating the achievement of a satisfactory Suitability Outcome for the portfolio. These will be kept under review and should further key performance measures associated with suitability be required or adapted these will be added and reported upon.

## 4 & 5 Outcome - Sufficiency and Utilisation

The Sufficiency and Utilisation Outcome demonstrates that the portfolio is managed in such a way to sustain business space capacity, support local employment and provide business space in key settlement areas. Continued collaboration and support between council and government services/initiatives will assist with new employment and business opportunities to ensure continued utilisation by local businesses and the wider community.

Sufficient levels of commercial property influence the local economy and the provision of business space in key settlements/areas. Where appropriate, acquisition of non-council owned property may be undertaken subject to a suitable business case being presented adhering to corporate priorities and outcomes.

### Activities:

The main activities of the service during the period of the strategy will be:

- ◆ Ensuring properties support economic development.
- ◆ Consideration of opportunities to add new space where there is a lack of sufficiency.
- ◆ Improvement of the utilisation of business space.
- ◆ Establishment of a process to determine both latent and emerging demand.

### Performance Indicators:

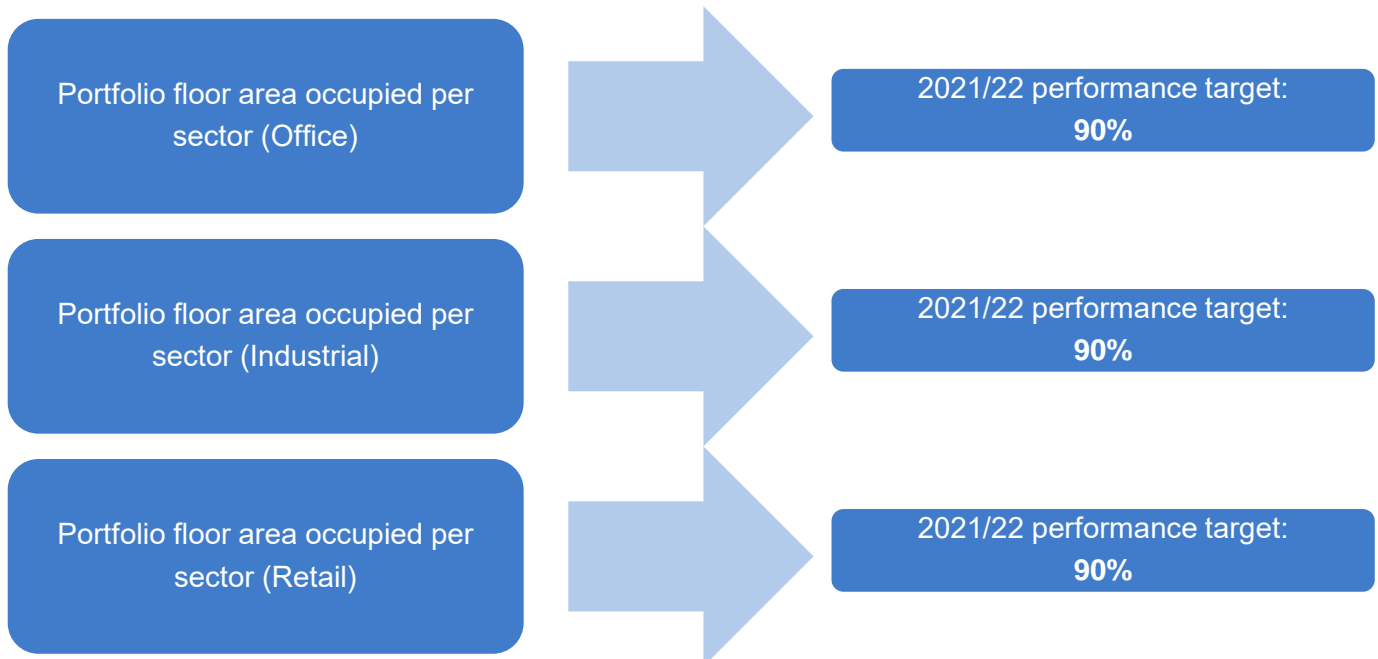
The main activities of the service during the period of the strategy will be:

Main Performance Indicators	Reporting Period
Portfolio floor area occupied per sector (Offices)	Reported Monthly
Portfolio floor area occupied per sector (Industrial)	Reported Monthly
Portfolio floor area occupied per sector (Retail)	Reported Monthly
Office Portfolio - Percentage of Total Units Let	Reported Monthly
Industrial Portfolio - Percentage of Total Units Let	Reported Monthly
Retail Portfolio - Percentage of Total Units Let	Reported Monthly



**Key performance indicators:**

We have identified the key measures of the success for this outcome and will track, monitor and report on our progress in these performance indicators throughout the lifetime of our strategy:



Performance measures will be reported upon from 2021/22 onwards and form the basic framework for demonstrating the achievement of a satisfactory Sufficiency and Utilisation Outcome for the portfolio. These will be kept under review and should further key performance measures associated with sufficiency and utilisation be required or adapted these will be added and reported upon.

## 6 Outcome - Accessibility

The Accessibility Outcome demonstrates that our commercial property portfolio provides accommodation which is accessible, is in accessible locations and we are able to support tenant accessibility improvements.

Although occupiers are responsible for adhering to issues such as the Disability Discrimination Act (DDA) compliance and alterations whether structural or non-structural, the council is supportive of tenants' requirements where possible, securing tenants for as long a period as possible and reduce barriers for tenants needs for accessibility issues.

Tenants are supported to ensure that the service they provide is accessible (this includes landlord's consent to alterations as required by the Tenant).

### Activities:

The main activities of the service during the period of the strategy will be:

- ◆ Providing support to tenants to make premises fully accessible for their requirements.
- ◆ Providing business space property opportunities in locations that are accessible to communities.

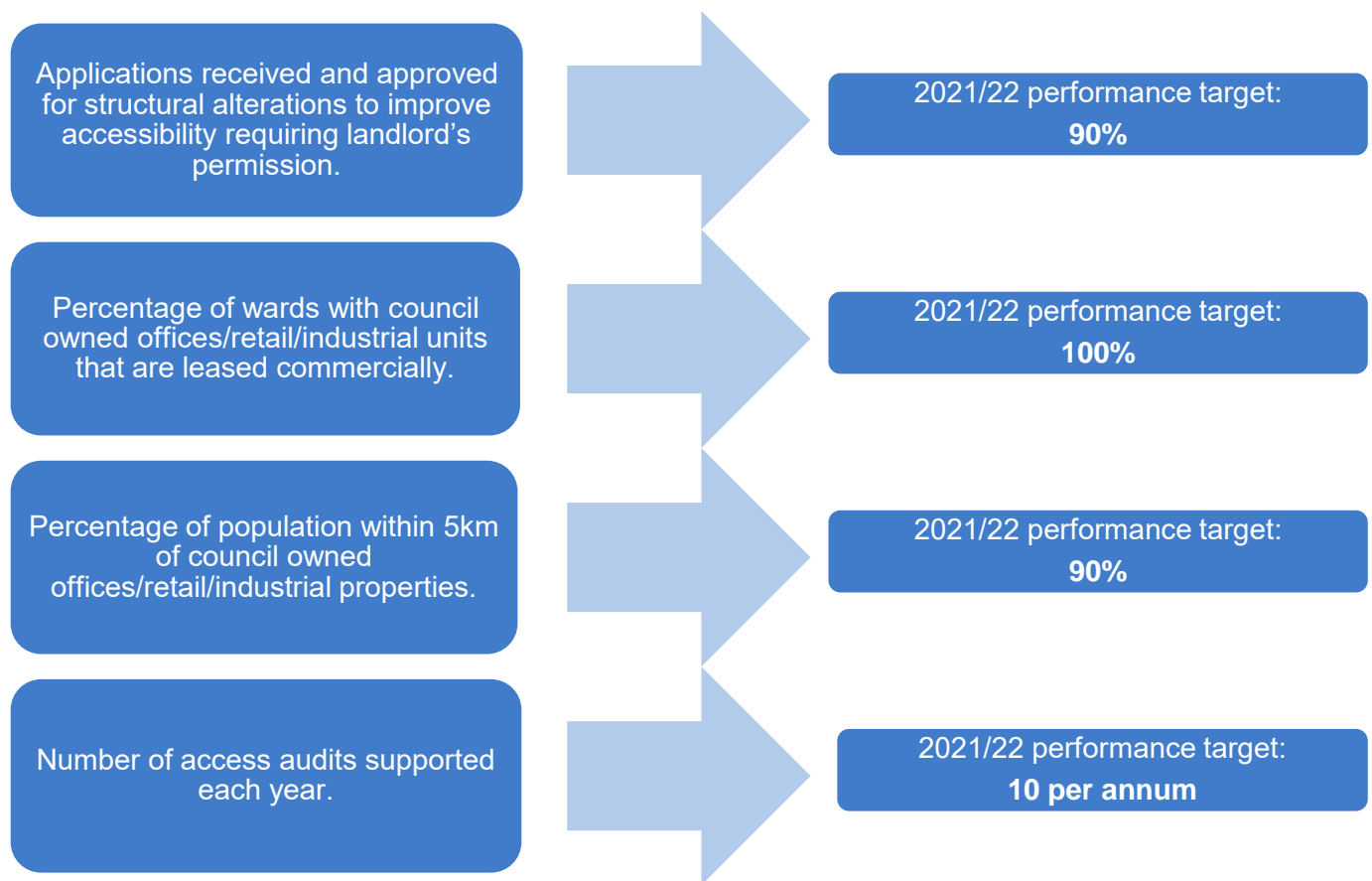
### Performance Indicators:

The main performance indicators of the service during the period of the strategy will be:

Main Performance Indicators	Reporting Period
Percentages of industrial, office and retail properties currently let.	Monthly Report
Applications received and approved for structural alterations to improve accessibility requiring landlord's permission.	Annual Report
Percentage of wards with council owned offices/retail/industrial units that are leased commercially.	Annual Report
Percentage of population within 5km of council owned offices/retail/industrial properties.	Annual Report
Number of access audits supported each year.	Annual Report

**Key performance indicators:**

We have identified the key measures of the success for this outcome and will track, monitor and report on our progress in these performance indicators throughout the lifetime of our strategy:



Performance measures will be reported upon from 2021/22 onwards and form the basic framework for demonstrating the achievement of a satisfactory Accessibility Outcome for the portfolio. These will be kept under review and should further key performance measures associated with accessibility be required or adapted these will be added and reported upon.

## 7 Outcome - Sustainability

The Sustainability Outcome demonstrates the performance of the commercial property portfolio in terms of the impact upon the environment.

Consistent with council policies, the commercial property portfolio is required to minimise impact upon the environment where possible whilst preserving the long-term viability and vitality of its performance. Sustainable properties are in a good and tenatable condition, suitable for modern business needs and have good basic energy performance. Sustainable properties will be more likely to achieve greater income and support economic development throughout the life of the property.

It is recognised that energy efficient premises will have a lower impact upon the environment and adaptations should be considered where possible. The energy performance of our commercial property portfolio is monitored and improvements are undertaken where financially viable and technically feasible.

### Activities:

The main activities of the service during the period of the strategy will be:

- ◆ Planned improvements being undertaken to enhance the sustainability of the property portfolio.
- ◆ Energy efficiency monitoring through Energy Performance Certificates being available for all appropriate properties.
- ◆ Supporting tenants with guidance on energy efficiency via the council's energy management team.
- ◆ Supporting tenants (through planned improvements and landlord consent requests) to improve the energy efficiency of the property.

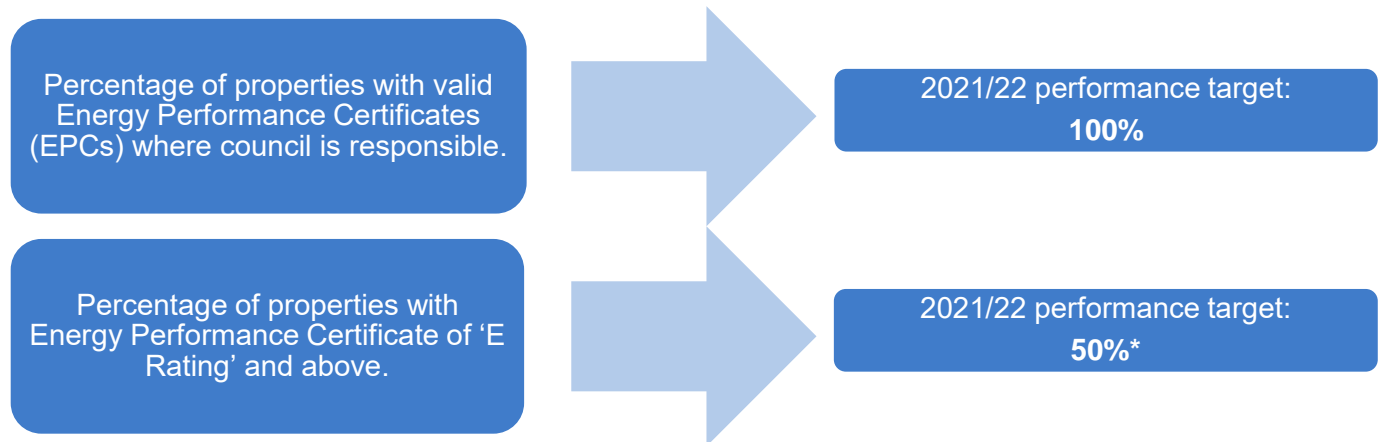
### Performance Indicators:

The main performance indicators of the service during the period of the strategy will be:

Main Performance Indicators	Reporting Period
Percentage of properties with valid Energy Performance Certificates (EPCs) where the council is responsible.	Annual Report
Percentage of properties with Energy Performance Certificate of 'E Rating' and above.	Annual Report
Percentage for Industrial/retail/offices properties with current EPC.	Annual Report

**Key performance indicators:**

We have identified the key measures of the success for this outcome and will track, monitor and report on our progress in this performance indicator throughout the lifetime of our strategy:



*\*Estimated at 50% on initial review and will be updated upon completion of formal energy performance assessments.*

Performance measures will be reported upon from 2021/22 onwards and form the basic framework for demonstrating the achievement of a satisfactory Sustainability Outcome for the portfolio. These will be kept under review and should further key performance measures associated with sustainability be required or adapted these will be added and reported upon.

## 8 Outcome – Financial

The Financial Outcome demonstrates the commercial property portfolio is being proactively and efficiently managed to maximise rental income and capital growth.

The generation of rental income provides the council with a significant revenue stream that it can deploy for the delivery of services. The charging of market rents ensures that the council is compliant with Disposal of Land by Local Authorities (Scotland) Regulations 2010 and all tenants are treated equally.

Procedures for the management of rental income and arrears are in place and well established to ensure that the financial aspect of property management is undertaken effectively within legal parameters.

Professional guidance from the RICS and other regulatory bodies is adhered to in order to ensure effective estate management practices are adopted.

### Activities:

The main activities of the service during the period of the strategy will be:

- ◆ Undertaking valuations in line with RICS guidance for rent and capital valuations
- ◆ Best practice is adhered to for new leases, rent reviews and lease renewals.
- ◆ Rent reviews and lease renewal opportunities are used to increase rents wherever market conditions will allow.
- ◆ “Easy in – Easy out” leases will continue to be provided enabling the ability to occupy property quickly and to terminate leases expediently.
- ◆ Debt management is continually monitored and reviewed monthly.
- ◆ Financial management performance measures of the portfolio will be regularly reviewed and reported.

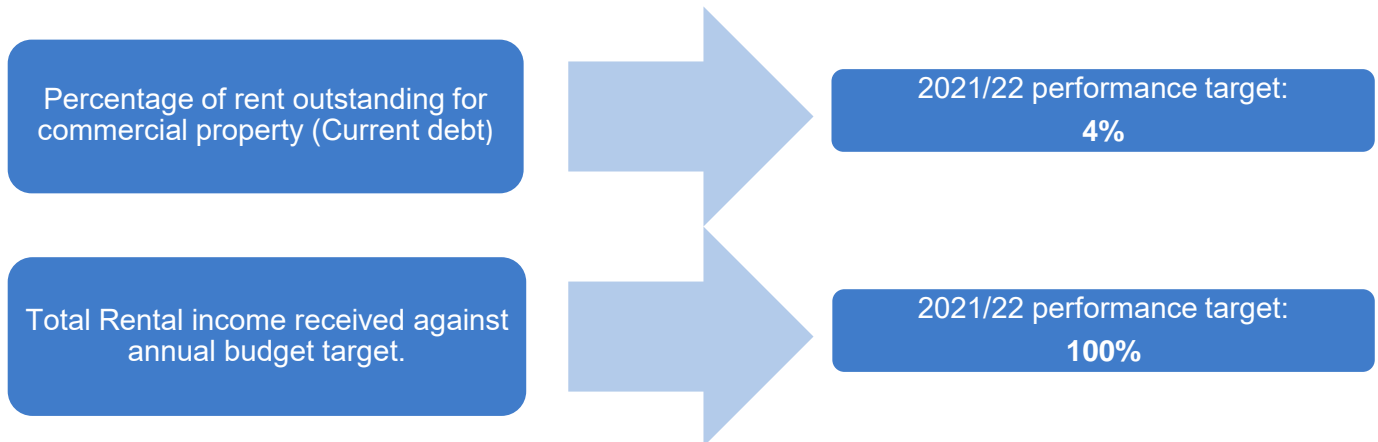
### Performance Indicators:

The main performance indicators of the service during the period of the strategy will be:

Main Performance Indicators	Reporting Period
Percentage of rent outstanding for commercial property (Current debt).	Monthly Report
Percentage of rent outstanding (Historic debt) for commercial property.	Monthly Report
Total rental income received against annual budget target.	Annual Report
All Risks Yield (return on capital).	Annual Report
Retail Portfolio - Percentage of Total Units Let	Reported Monthly
Office Portfolio - Percentage of Total Units Let	Reported Monthly
Industrial Portfolio - Percentage of Total Units Let	Reported Monthly

**Key performance indicators:**

We have identified the key measures of the success for this outcome and will track, monitor and report on our progress in these performance indicators throughout the lifetime of our strategy:



Performance measures will be reported upon from 2021/22 onwards and form the basic framework for demonstrating the achievement of a satisfactory Financial Outcome for the portfolio. These will be kept under review and should further key performance measures associated with finance be required or adapted these will be added and reported upon.

## 9 Outcome – Economic Regeneration

The Economic Regeneration Outcome demonstrates that the commercial property portfolio is being proactively and efficiently managed to maximise economic growth and development within the local authority area.

Whilst representing a small proportion of the areas business space capacity the portfolio does provide the council with the ability to influence the local economy. The provision of commercial property by the council occurs in some locations which are unattractive to the private sector and therefore meets market failure. The provision of a range of business space properties enables the council to support business start-ups, expanding businesses and those rationalising accommodation.

The portfolio will continue to be managed to sustain and enhance business space capacity and local employment opportunities promoting the local authority area with increased inward investment.

### Activities:

The main activities of the service during the period of the strategy will be:

- ◆ Continued regular engagement between Property Services and Economic Development to support companies on business space matters.
- ◆ Continuation of lease terms on the majority of the portfolio being flexible (month to month basis) and arrangements are on an “easy in / easy out basis”.
- ◆ Continued commercial presence in locations where limited numbers of competitive commercial properties exist.
- ◆ Engagement with new businesses; Property Services and Economic Development will encourage start-ups to produce a business plan establishing viability prior to being granted a lease.

### Performance Indicators:

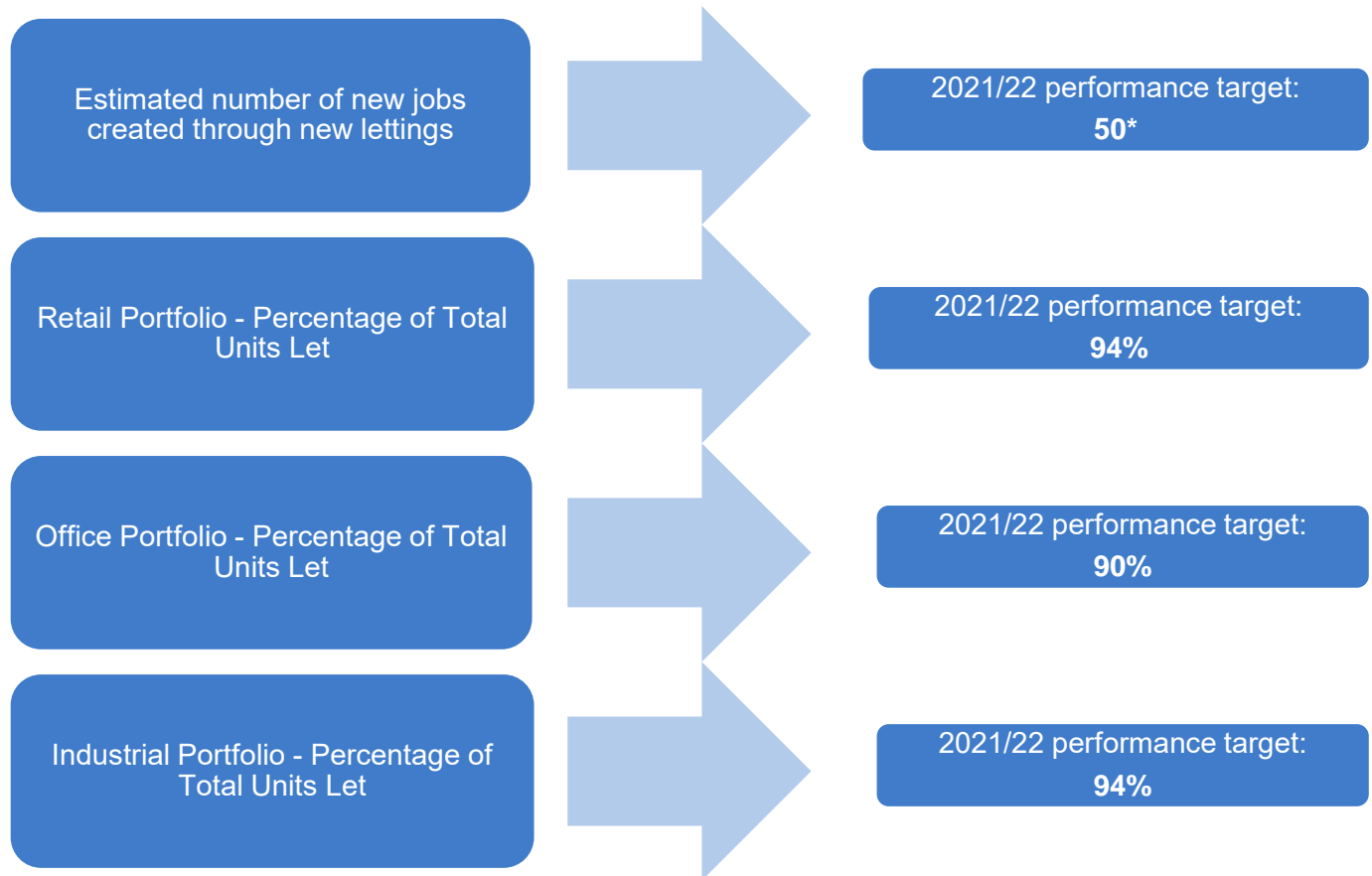
The main performance indicators of the service during the period of the strategy will be:

Main Performance Indicators	Reporting Period
Estimated number of jobs in the portfolio	Annual Report
Estimated number of new jobs created through new lettings	Annual Report
Retail Portfolio - Percentage of Total Units Let	Monthly Report
Office Portfolio - Percentage of Total Units Let	Monthly Report
Industrial Portfolio - Percentage of Total Units Let	Monthly Report
Percentage of population within 5km of council owned offices/retail/industrial properties.	Annual Report



**Key performance indicators:**

We have identified the key measures of the success for this outcome and will track, monitor and report on our progress in these performance indicators throughout the lifetime of our strategy:



*\*Assessment of current target performance for new jobs created through new lettings to be developed.*

Performance measures will be reported upon from 2021/22 onwards and form the basic framework for demonstrating the achievement of a satisfactory Economic Regeneration Outcome for the portfolio. These will be kept under review and should further key performance measures associated with economic regeneration be required or adapted these will be added and reported upon.

## 10 Outcome – Good Estate Management

The Good Estate Management Outcome demonstrates the commercial property portfolio is being proactively and efficiently managed with good estate management practices to maximise and enhance the efficiency and delivery of the service.

Effective management of the portfolio in accordance with guidance from RICS, ACES and CIPFA ensures that the council is compliant and maximising the benefits from the portfolio. By applying council approved policies and practices in relation to the CPP, tenants can also be secure in the knowledge that the council is operating in line with the best practice available and in an open and transparent manner.

Continued development of staff and internal practices contributes towards efficient and customer focused service delivery.

### Activities:

The main activities of the service during the period of the strategy will be:

- ◆ Deployment of policies and practices in the management of the portfolio and regular reviews to reflect statutory; council requirements including governance and best practice advocated by professional organisations.
- ◆ Staff members deployed in the management of the portfolio are appropriately qualified and have training and development plans in place to ensure continued professional development, compliance and awareness of best practice.
- ◆ Flexibility in leasing structures allow for 'easy in easy out' agreements at short notice.
- ◆ Introduction and review of systems and digital information management within the service.
- ◆ Undertaking regular tenant/customer surveys to ascertain effectiveness of services and provision of commercial real estate.

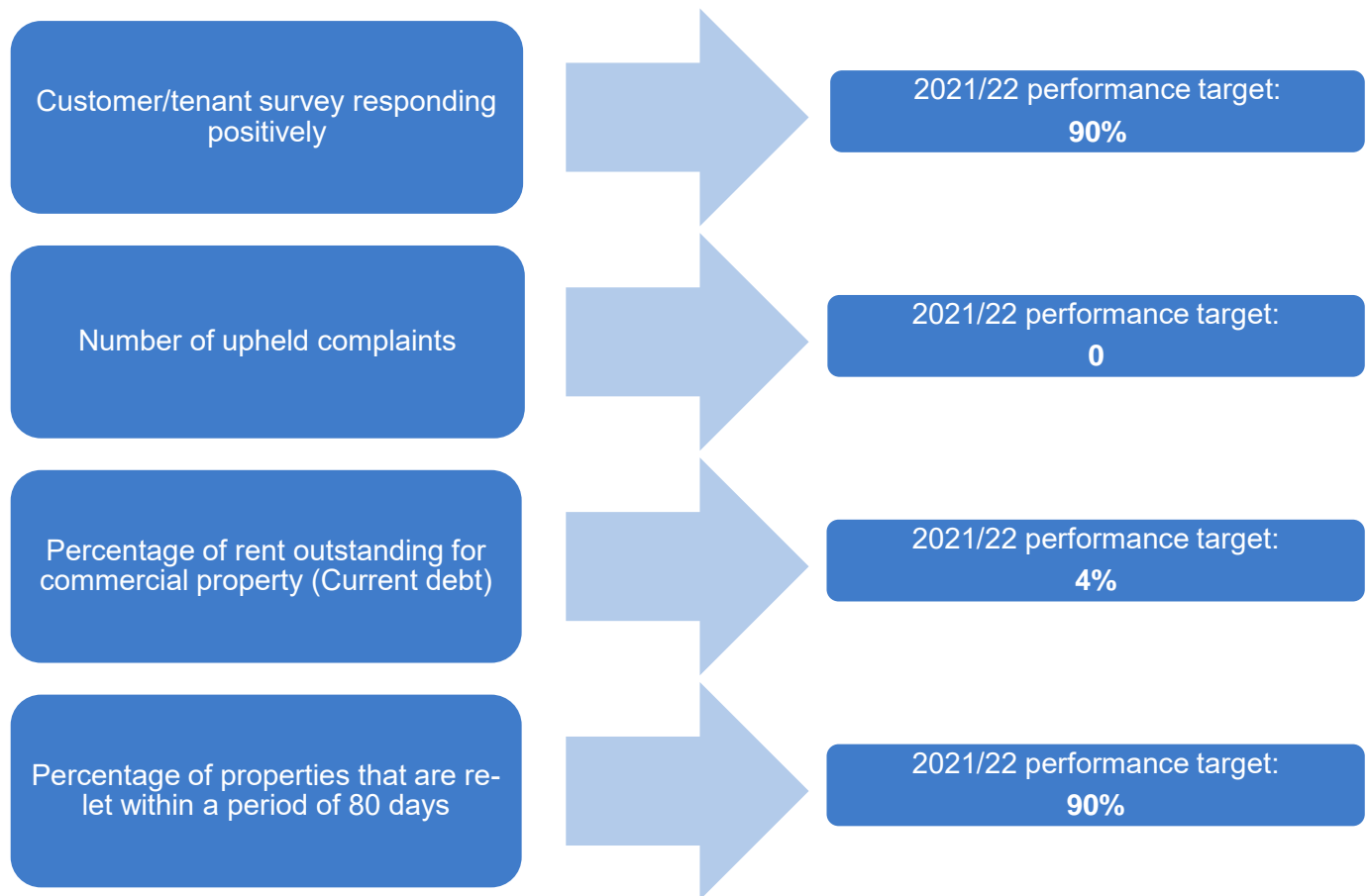
### Performance Indicators:

The main performance indicators of the service during the period of the strategy will be:

Main Performance Indicators	Reporting Period
Number of Direct Debits as a percentage of overall portfolio	Annual Report
Customer/tenant survey responding positively	Annual Report
Number of upheld complaints	Annual Report
Percentage of rent outstanding for commercial property (Current debt)	Monthly Report
Percentage of rent outstanding (Historic debt) for commercial property	Annual Report
Total rental Income	Annual Report
Percentage of commercial property revenue income against target	Annual Report
Percentage of properties that are re-let within a period of 80 days	Annual Report

**Key performance indicators:**

We have identified the key measures of the success for this outcome and will track, monitor and report on our progress in these performance indicators throughout the lifetime of our strategy:



Performance measures will be reported upon from 2021/22 onwards and form the basic framework for demonstrating the achievement of a Good Estate Management Outcome for the portfolio. These will be kept under review and should further key performance measures associated with good estate management be required or adapted these will be added and reported upon.

## Strategy influences, governance and progress reporting

The Commercial Property Portfolio Strategy was developed to support the delivery of the Council's Corporate Plan, Corporate Asset Management Strategy and Corporate Asset Management Plan and in particular priorities for built and natural environment and economic development. It reflects a range of factors which can then be distilled to individual commercial assets through the Commercial Property Portfolio Management Plan.

The next ten years will be a period of significant change and challenge for commercial property in general and the council's own commercial property portfolio. However, the council has clearly defined long term aims relating to the development of high quality services, designed to meet the needs of its customers.

### Influences:

There will be many internal and external factors that influenced the CPP strategy. The more prominent include;

- ◆ Existing performance of the portfolio.
- ◆ National and local economic conditions.
- ◆ Legal and regulatory frameworks
- ◆ Financial and budgetary priorities.
- ◆ Competition in market place.

Strategy governance		
Group	Governance Scrutiny role	Reporting Frequency
Council Executive	<ul style="list-style-type: none"> <li>a) Engagement on the strategy and outcomes</li> <li>b) Updates to the Council Executive on the progress of specific aspects of the strategy.</li> <li>c) Approval of appropriate transactions.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Annual</li> <li>◆ As appropriate</li> <li>◆ As appropriate</li> </ul>
Partnership and Resources PDSP	<ul style="list-style-type: none"> <li>a) Engagement on the strategy and outcomes</li> <li>b) Updates to the PDSP on the progress of specific aspects of the strategy.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Annual</li> <li>◆ As appropriate</li> <li>◆ As appropriate</li> </ul>
Corporate Management Team	<ul style="list-style-type: none"> <li>a) Engagement on ad-hoc appropriate policies procedures and transactions.</li> <li>b) Regular updates to the Corporate Management Team on the progress of specific programmes of work</li> </ul>	<ul style="list-style-type: none"> <li>◆ As appropriate</li> <li>◆ Annual strategy review</li> </ul>
Scheme of Delegation	<ul style="list-style-type: none"> <li>a) Decision making at appropriate levels on transactions and management practices.</li> </ul>	<ul style="list-style-type: none"> <li>◆ As appropriate</li> </ul>

### **Reporting Progress and Updates:**

The strategy was developed using a range of information to ensure that outcomes, activities, resources and influences are aligned.

The strategy lead is responsible for delivering and monitoring progress in the strategy and will ensure that appropriate arrangements are in place to track and monitor in-year progress.

An annual review will be undertaken and reported to the Partnership and Resources PDSP and Council Executive. This will include an update on the agreed performance scorecard and action plan and will also be published on the performance pages of the council website.

An interim review of the strategy will be undertaken at the end of year three with a final review in the last year of the strategy a further review to report on the achievements in the outcomes and final position in the performance indicators (against the target) and the agreed actions.

## Appendix 1: Strategy Scorecard

The council will undertake a range of actions to support delivery of corporate priorities and objectives, improve services and deliver transformation.

Key Performance Indicators					
Strategy Outcome	PI Code & Short Name		Current Value	Current Target	Short Term Trend Arrow
<b>Statutory Compliance</b>	Being developed	Number of landlord compliance inspections phased per annum as a percentage of overall portfolio. (Reported Annually).	N/A	100%	^
	Being developed	Percentage of properties newly let with full contractual compliance. (Reported Annually).	N/A	100%	^
	Being developed	Number of formal notices for breach of lease associated with statutory compliance failures on tenants. (Reported Annually).	N/A	0	-
<b>Condition</b>	Being developed	Percentages of satisfactory properties in lettable condition. (Reported Annually).	N/A	100%	^
	Being developed	Percentage of floor area that is in satisfactory or better condition. (Reported Annually).	N/A	90%	^
	Being developed	Percentage of planned improvements capital spend undertaken. (Reported Annually).	N/A	75%*	^

<b>Key Performance Indicators</b>					
Strategy Outcome	PI Code & Short Name		Current Value	Current Target	Short Term Trend Arrow
<b>Suitability</b>	P:PMD162_9b.1a	Retail Portfolio - Percentage of Total Shops Let. (Reported Monthly).	93.2%	94%	-
	P:PMD163_9b.1a	Office Portfolio - Percentage of Office Units Let. (Reported Monthly).	94.44%	90%	-
	P:PMD161_9b.1a	Industrial Portfolio - Percentage of Total Units Let .(Reported Monthly).	98.28%	90%	-
	Being developed	Retail Portfolio – Average Percentage of Units Let. (Reported Annually).	N/A	94%	^
	Being developed	Industrial Portfolio – Average Percentage of Units Let. (Reported Annually).	N/A	90%	^
	Being developed	Office Portfolio – Average Percentage of Total Units Let. (Reported Annually).	N/A	94%	^
<b>Sufficiency and Utilisation</b>	P:PMD162_9b.1a	Retail Portfolio - Percentage of Total Units Let (Reported Monthly).	93.2%	94%	-
	P:PMD163_9b.1a	Office Portfolio - Percentage of Total Units Let (Reported Monthly).	94.44%	90%	-
	P:PMD161_9b.1a	Industrial Portfolio - Percentage of Total Units Let (Reported Monthly).	98.28%	90%	-
	Being developed	Portfolio floor area occupied per sector (Industrial). (Reported Monthly).	N/A	90%	^
	Being developed	Portfolio floor area occupied per sector (Retail). (Reported Monthly).	N/A	90%	^
	Being developed	Portfolio floor area occupied per sector (Offices). (Reported Monthly).	N/A	90%	^

## Key Performance Indicators

Strategy Outcome	PI Code & Short Name		Current Value	Current Target	Short Term Trend Arrow
<b>Accessibility</b>	P:PMD162_9b.1a	Retail Portfolio - Percentage of Total Shops Let. (Reported Monthly).	93.2%	94%	-
	P:PMD163_9b.1a	Office Portfolio - Percentage of Office Units Let. (Reported Monthly).	94.44%	90%	-
	P:PMD161_9b.1a	Industrial Portfolio - Percentage of Total Units Let .(Reported Monthly).	98.28%	90%	-
	Being developed	Applications received and approved for structural alterations to improve accessibility requiring landlord's permission. (Reported Annually).	N/A	90%	^
	Being developed	Percentage of wards with council owned offices/retail/industrial units that are leased commercially. (Reported Annually).	N/A	100%	^
	Being developed	Percentage of population within 5km of council owned offices/ retail/ industrial properties. (Reported Annually).	N/A	90%	^
	Being developed	Number of access audits supported each year. (Reported Annually).	N/A	10*	-
<b>Economic Regeneration</b>	Being developed	Estimated number of jobs in the portfolio (Reported Monthly).	N/A	50*	-
	P:PMD162_9b.1a	Retail Portfolio - Percentage of Total Shops Let. (Reported Monthly).	93.2%	94%	-
	P:PMD163_9b.1a	Office Portfolio - Percentage of Office Units Let (Reported Monthly).	94.44%	90%	-
	P:PMD161_9b.1a	Industrial Portfolio - Percentage of Total Units Let (Reported Monthly).	98.28%	90%	-



### Key Performance Indicators

Strategy Outcome	PI Code & Short Name		Current Value	Current Target	Short Term Trend Arrow
<b>Good Estate Management</b>	Being developed	Customer/tenant survey responding positively. (Reported Bi-annually).	N/A	90%	^
	Being developed	Number upheld complaints. (Reported Annually).	N/A	0%	-
	P:PMD164_9b.1c	Percentage of rent outstanding for commercial property (Current debt). (Reported Monthly).	8.14%	4%	^
	Being developed	Void period - Percentage of properties that are re-let within a period of 80 days. (Reported Annually).	N/A	90%	^

## Appendix 2: Strategy Action Plan

The council will undertake a range of actions to support delivery of corporate priorities and objectives, improve services and deliver transformation.

Actions 2021/22 & 2022/23							
Action	Description	Planned Outcome	Owner(s)	Start	End	Status	Update
<b>Compliance</b>	Review of compliance management processes and procedures.	Improved compliance processes and procedures.	Commercial Portfolio Manager	April 2021	March 2022	Planned	Ongoing
<b>Condition</b>	Review and refine processes for reactive and preventative maintenance.	Works are completed within agreed timescales.	Commercial Portfolio Manager	April 2021	March 2022	Planned	Ongoing
<b>Condition</b>	Implement programme of inspections.	Prioritise planned improvement and investment.	Commercial Portfolio Manager	April 2021	March 2022	Planned	Ongoing
<b>Suitability</b>	Review Customer/tenant Surveys.	Ascertain suitability of premises for tenants/customers.	Commercial Portfolio Manager	December 2021	June 2022	Planned	To be commenced
<b>Sufficiency and Utilisation</b>	Review portfolio and occupancy levels to establish latent and anticipated demand.	Improve levels of efficiency and identify opportunities to evolve portfolio.	Commercial Portfolio Manager	April 2022	March 2023	Planned	To be commenced
<b>Accessibility</b>	Developing policies and procedures to assist improvements in accessibility.	Improves accessibility of portfolio.	Commercial Portfolio Manager	April 2022	March 2023	Planned	To be commenced

**Actions 2021/22 & 2022/23**

Action	Description	Planned Outcome	Owner(s)	Start	End	Status	Update
<b>Sustainability</b>	Review of current EPC ratings and opportunities for improvements.	Improve energy performance of portfolio.	Commercial Portfolio Manager	April 2021	August 2022	Planned	Ongoing
<b>Financial</b>	Review debt management policies and processes.	Reduced rent arrears.	Commercial Portfolio Manager	April 2021	March 2022	Planned	Ongoing
<b>Financial</b>	Review Financial performance measures including capital return and revenue growth.	Demonstrate Best Value.	Commercial Portfolio Manager	April 2021	March 2022	Planned	Ongoing
<b>Economic Regeneration</b>	Review of communications and enquiries to align with Economic Development priorities.	Improving business support for new and existing tenants.	Commercial Portfolio Manager	April 2021	March 2022	Ongoing	Ongoing

**Actions 2021/22 & 2022/23**

Action	Description	Planned Outcome	Owner(s)	Start	End	Status	Update
<b>Good Estate Management</b>	Review existing marketing strategy.	Improved letting performance.	Commercial Portfolio Manager	April 2021	March 2022	Ongoing	Ongoing
<b>Good Estate Management</b>	Review existing Policies, Practices and Procedures.	Ensure relevance and alignment with corporate, social and statutory requirements.	Commercial Portfolio Manager	April 2021	March 2022	Ongoing	Ongoing
<b>Good Estate Management</b>	Review information systems.	Streamline existing processes to enhance efficiency.	Commercial Portfolio Manager	April 2021	March 2022	Ongoing	Ongoing

# Commercial Property Portfolio Strategy 2021/22 to 2027/28

## West Lothian Council

**September 2021**

For more information please contact:

David Metcalf, Commercial Portfolio Manager

Email: [david.metcalf@westlothian.gov.uk](mailto:david.metcalf@westlothian.gov.uk)

Telephone: 01506 283387

West Lothian Civic Centre  
Howden South Road | Livingston | West Lothian | EH54 6FF