

Meeting: Cabinet **Date:** 20th August 2024

Wards affected: Tormohun

Report Title: Leasing of Commercial Business units at Lymington Enterprise Centre, Torquay

When does the decision need to be implemented? Immediately

Cabinet Member Contact Details: Councillor Chris Lewis, Cabinet Member for Place Development & Economic Growth chris.lewis@torbay.gov.uk

Director Contact Details: Alan Denby, Director of Pride in Place Alan.denby@torbay.gov.uk

1. Purpose of Report

- 1.1 To seek authorisation to let the 5 new business units at Lymington Road at a market rent and on standard commercial lease terms as and when suitable tenants are identified.
- 1.2 In the opinion of an RICS surveyor the market rent for each individual unit is in excess of £10,000 p.a. and so in accordance with the Officer Scheme of Delegation, entering into a lease for each unit is a Cabinet decision. It is proposed authority to agree terms for each unit is delegated to the Director of Pride in Place to prevent delays to the letting process and consequently any delays to the income the Council will receive once a unit is let.

2. Reason for Proposal and its benefits

- 2.1 The proposals in this report help us to deliver our vision of a healthy, happy and prosperous Torbay by fully utilising the opportunity of leasing these 5 light industrial units to businesses that are in need of business premises. Benefits include:
 - Increasing employment in the local area.
 - Increasing investment in this district of Torbay.
 - Managing these units on a commercial basis, minimising void periods and encouraging occupancy of businesses will meet the funding criteria.
 - The rental income from these units will service the loan for the Council's financial contribution into the project to redevelop the whole coach station site.

- 2.2 The reasons for the proposal and need for the decision are that the market rent for each unit is in excess of £10,000 p.a. and therefore requires Cabinet approval in accordance with the Council's Officer Scheme of Delegation.

3. Recommendation(s) / Proposed Decision

1. To delegate authority to the Director of Pride in Place, in consultation with the Cabinet Member for Pride in Place and Parking, to agree commercial heads of terms on the first lease granted at each unit at a market rent.

Appendices

None

Background Documents

Lymington Road Nov 21 Cabinet Paper - Report Title: Growth Fund investment to deliver five new business units at Lymington Rd coach station

Supporting Information

1. Introduction

- 1.1 The Council has recently completed the development of 5 brand new industrial units at Lymington Road, Torquay. The units are now ready for occupation and whilst void will incur holding costs such as utilities, business rates, maintenance and void property inspections. The units are being marketed. Heads of terms for the first unit, Unit 5 has now been agreed, subject to final approval from the Council as landlord. Given the proposed level of rent, Cabinet authority is now being sought to delegate to the Director of Pride in Place approval of the terms of occupation on a commercial basis at a market rent, for Unit 5 and for the remaining four units as and when potential tenants are found.

2. Options under consideration

- 2.1 The Council has constructed these units to increase employment in the area. Previous Cabinet decisions have provided the funding streams used in the project to build these units but did not provide authority to agree and grant terms for occupation by tenants. The units have been designed to meet the demand for business use for light manufacturing, storage and office use and are to be commercially leased. The benefit is also that the Council can best achieve their employment aims, by retaining control of the units and selecting which businesses can use them. Therefore, a freehold disposal has been discounted.
- 2.2 The other option is not to let out these properties on a commercial basis. This will increase the Council's void costs and extend the period before the Council can gain any rental income. This is a significant disadvantage to the Council in terms of lost revenue and void costs and so has been discounted.

3. Financial Opportunities and Implications

- 3.1 There is no further funding required and no negative financial consequences associated with letting the units at a market rent. In the earlier Cabinet Paper of 16th November 2021, the financial model assumes that the scheme is 90% let to deal with tenant churn and potential void periods. Furthermore, it also assumes a market level of tenant incentives.

4. Legal Implications

- 4.1 As stated on 16th November 2021, the area was to be developed by the Council with the individual units being leased to interested tenants at market value. The leases will be full repairing and insuring leases and will clearly set out all tenant and landlord obligations.

5. Engagement and Consultation

- 5.1 Other than briefings with the Ward Councillors and Portfolio Holder, no further engagement or consultation is planned. This is on the principle of the Council have already engaged during the funding and planning applications for the construction of these units in 2021.

6. Procurement Implications

- 6.1 All services necessary to manage the leases these 5 units will procured in line with the Councils financial regulations and standing orders.

7. Protecting our naturally inspiring Bay and tackling Climate Change

- 7.1 The units have been well insulated to reduce energy consumption. They have solar PV panels contributing to reduced electricity demand for each unit.
- 7.2 The location is convenient for public transport for employees to travel to work. There is an additional covered cycle racks provided adjacent to the Units.
- 7.2 The units have been designed to account for flooding events by having raised floor levels.

8. Associated Risks

- 8.1 Market research tells us there are good levels of demand for business units of this nature. However, if there is insufficient interest from tenants and projected rental levels are not achieved the Council would need to fund the repayments from the revenue budget as loan repayments will still need to be made. The cashflow and development appraisals from 2021 assumed prudent timeframes to have the units let.
- 8.2 To service the Councils loan, the units will need to be let. The previous appraisal in 2021 made prudent assumptions on voids and tenant churn.

9. Equality Impact Assessment

Protected characteristics under the Equality Act and groups with increased vulnerability	Data and insight	Equality considerations (including any adverse impacts)	Mitigation activities	Responsible department and timeframe for implementing mitigation activities
Age	<p>18 per cent of Torbay residents are under 18 years old.</p> <p>55 per cent of Torbay residents are aged between 18 to 64 years old.</p> <p>27 per cent of Torbay residents are aged 65 and older.</p>	Due to the job creation opportunities at these 5 units, it will have a positive impact on people aged 18-64		
Carers	At the time of the 2021 census there were 14,900 unpaid carers in Torbay. 5,185 of these provided 50 hours or more of care.	No differential impact		
Disability	In the 2021 Census, 23.8% of Torbay residents answered that their day-to-day activities were limited a little or a lot by a physical or mental health condition or illness.	No differential impact		
Gender reassignment	In the 2021 Census, 0.4% of Torbay's community	No differential impact		

	<p>answered that their gender identity was not the same as their sex registered at birth. This proportion is similar to the Southwest and is lower than England.</p>			
Marriage and civil partnership	<p>Of those Torbay residents aged 16 and over at the time of 2021 Census, 44.2% of people were married or in a registered civil partnership.</p>	No differential impact		
Pregnancy and maternity	<p>Over the period 2010 to 2021, the rate of live births (as a proportion of females aged 15 to 44) has been slightly but significantly higher in Torbay (average of 63.7 per 1,000) than England (60.2) and the South West (58.4). There has been a notable fall in the numbers of live births since the middle of the last decade across all geographical areas.</p>	No differential impact		
Race	<p>In the 2021 Census, 96.1% of Torbay residents described their ethnicity as white. This is a higher proportion than the South West and England. Black, Asian and minority ethnic individuals are more likely to live in areas of Torbay classified as being amongst the 20% most deprived areas in England.</p>	No differential impact		

Religion and belief	64.8% of Torbay residents who stated that they have a religion in the 2021 census.	No differential impact		
Sex	51.3% of Torbay's population are female and 48.7% are male	No differential impact		
Sexual orientation	In the 2021 Census, 3.4% of those in Torbay aged over 16 identified their sexuality as either Lesbian, Gay, Bisexual or, used another term to describe their sexual orientation.	No differential impact		
Veterans	In 2021, 3.8% of residents in England reported that they had previously served in the UK armed forces. In Torbay, 5.9 per cent of the population have previously serviced in the UK armed forces.	No differential impact		
Additional considerations				
Socio-economic impacts (Including impacts on child poverty and deprivation)		Leasing these 5 units to businesses will have a positive impact providing employment in the local area.		
Public Health impacts (Including impacts on the general health of		No differential impact		

the population of Torbay)				
Human Rights impacts		No differential impact		
Child Friendly	Torbay Council is a Child Friendly Council and all staff and Councillors are Corporate Parents and have a responsibility towards cared for and care experienced children and young people.	No differential impact		

10. Cumulative Council Impact

10.1 None

11. Cumulative Community Impacts

11.1 None