

North Lanarkshire Council Report

Finance and Resources Committee

approval noting

Ref NLP/IM/JMcK

Date 28/05/20

North Lanarkshire Properties LLP – 2019/20 Performance Indicators: 5 January 2019 – 4 January 2020 and Financial Performance as at 4 January 2020 (Period 10)

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Executive Summary

This report provides details of North Lanarkshire Properties LLP's (NLP LLP) performance from 5 January 2019 – 4 January 2020 and provides an update on achievements the organisation has delivered in 2019/20. Financial performance would ordinarily be considered within the context of the company's approved activities and budget for financial year 2019/20, however, due to pressures associated with the COVID-19 outbreak, Financial Solutions are unable to provide the information for this reporting cycle. However, we continue to closely monitor the financial position of NLP particularly in relation to the current COVID-19 outbreak.

Recommendations

Members are asked to:

1. Note NLP LLP's operational performance against its 2018/19 targets for the period 5 January 2019 to 4 January 2020;
2. Note the Service delivery highlights detailed within the report;
3. Note the action taken by NLP LLP in relation to the COVID-19 pandemic; and
4. Otherwise note the contents of this report.

The Plan for North Lanarkshire

Priority Improve economic opportunities and outcomes

Ambition statement (3) Maximise the use of our marketable land and assets through improved development in business and industrial infrastructure

1. Background

- 1.1 NLP LLP is a limited liability partnership established in 2013 between the Council and its wholly owned company, North Lanarkshire Property Investments Ltd. It undertakes the marketing, leasing and management of the Council's commercial property portfolio (shop units, office accommodation, business centres, industrial yards and storage units) and, on behalf of the Council, manages legacy properties which remain in the Council's investment property portfolio. It also delivers services in relation to externally owned properties that the Council leases for its own operational use and provides general advice on lease transactions.

- 1.2 Governance, strategic direction and oversight of the limited liability partnership is provided by the Management Committee which comprises four elected members and one senior Council officer (Executive Director of Enterprise and Communities) appointed by the Council and one member appointed by the limited company, NL Property Investments Ltd. Members to the Board of Directors of the limited company, NL Property Investments Ltd, are also appointed by the Council with five elected members and one senior officer appointed. The Management Committee meets quarterly and is responsible for ensuring NLP LLP's services are delivered in accordance with the approved Service Level Agreement and company objectives.
- 1.3 The Management Committee undertook a number of measures to implement recommendations from the ALEO review completed in 2018/19, most significantly, the establishment restructure and enhancement proposals approved in February 2019. These created a new post of Strategic Business Manager to ensure the effective development of business strategies and deliverable actions, whilst also, increasing levels of collaboration and liaison with relevant council services to align NLP's objectives and activities to support delivery of the council's vision. The post holder is required to be a director of NL Property Investments Ltd, providing an authorised signatory function on behalf of the company.
- 1.4 In order to address an immediate requirement to fill the post of Strategic Business Manager an interim arrangement has been agreed whereby the Head of Asset and Procurement Solutions will provide professional support services including operational management.
- 1.5 The interim staffing solution will be subject to six monthly reviews by both parties to ensure that the arrangement continues to meet NLP LLP's requirements and to provide an opportunity for consideration and assessment of potential longer term establishment possibilities.

2. Report

Performance Indicators

- 2.1 NLP LLP's performance was previously considered by the former ALEOs and External Bodies Monitoring Sub Committee on a quarterly basis. Following changes to the council's Scheme of Administration, responsibility for oversight of service delivery by arm's length bodies now rests with the relevant service committee. The functions delivered by NLP LLP on behalf of the council fall within the Terms of Reference of this committee and a six monthly performance report will now be submitted in line with the Strategic Performance Framework considered by members in November 2019. The report will confirm where NLP LLP is fulfilling its contractual obligations and meeting the council's service delivery expectations, as well as providing information from Financial Solutions on financial performance and overall financial standing within the company. This information will help give early warning of any financial risks which may give rise to operational or reputational risks for the council.

Engagement has also taken place with NLP LLP to identify where the company's business objectives are aligned to support The Plan for North Lanarkshire and individual Programme of Work areas. Future update reporting by Programme Lead Officers to service committees will reference the contribution that NLP LLP is making in these areas, along with further developments linked to the recently approved 2020 Programme of Work. This demonstrates where ALEOs are adding value and contributing to the shared ambitions and specific Programmes of Work.

The above measures strengthen the role of service committees by enabling members to consider the totality of services and activities being provided, by both the council and its ALEOs.

In addition to contractual performance monitoring by this committee, the Audit and Scrutiny Panel is responsible for ensuring the effectiveness of each entity's governance, including financial governance, arrangements. The Policy and Strategy Committee retains responsibility for considering the outputs from reviews by the council into its arm's length delivery arrangements, including recommendations in relation to Best Value and potential future delivery options.

- 2.2 2019/20 Performance indicators are listed at appendix 1 along with actual performance for the period 5 January 2019 to 4 January 2020, which fulfil the reporting requirements agreed between the organisation and the council and further demonstrate where NLP LLP is contributing to the council's strategic priorities.

COVID-19

- 2.3 It is recognised that the COVID-19 pandemic is having a significant impact on the UK economy and NLP LLP are closely monitoring the impact of COVID-19 on both the business and its tenants. Work is ongoing with the business's accountants to ensure that there are sufficient funds available to meet existing financial commitments and to look at alternative cash flow models to consider how the business would cope with various reductions in rental payments from tenants.

- 2.4 NLP LLP have received a significant number of requests for rent support during the COVID-19 crisis ranging from small tenants to large national companies. The requests range from seeking rent deferrals, rent abatements/rent free periods or grants. NLP LLP is maintaining a list of all enquiries received.

In response to enquiries NLP LLP have asked tenants to continue to pay rent if possible but have confirmed that debt recovery action has been suspended until the situation stabilises thereafter suitable periods to repay the rental accrued during the current crisis will be discussed on an individual basis with tenants.

Rental invoices will still be raised as normal and the expectation is that those who can afford to pay should still pay.

- 2.5 The Board of Directors of NL Property Investments Limited approved a report at a special meeting on 30 April 2020 granting authority for Robert Steenson, one of its directors, to act temporarily on behalf of NL Property Investments Limited in performance of the Boards' duties during the COVID-19 emergency period and for him to represent the company as a member of the NLP management committee in a proposed temporary amendment to the constitution of the LLP's management committee during the emergency period. NLP's Management Committee noted this and it is expected that the Council acting as a partner in the LLP will also nominate a representative to represent its interests on the Management Committee of the LLP to ensure the Management Committee can perform its functions during the COVID-19 emergency period.

Service Delivery Highlights

- 2.6 NLP has been successful in conjunction with the Council in securing grant funding to create 14 modern, start-up business units on an area of derelict land in Orbiston Street, Motherwell. NLP recently completed the contract for the construction of the industrial units with Hub South West for Robertson Construction to build the units. At this stage the mobilisation of the contract has been delayed due to COVID-19

although virtual meetings are being held with HUB SW, the contactor and design team to discuss the best route to mobilisation when the situation allows.

- 2.7 NLP are working jointly with Housing Services on a project at Buchanan Street/Hallcraig Street, Airdrie to refurbish the building and create flats on the upper floors. Tenders have now been received which will allow NLP and the Council to access the Town Centre Growth Fund with £250,000 having been set aside towards the total cost of the project.
- 2.8 NLP has actively supported the Council's Ambition Plan for Town Centre regeneration. This has taken the form of identifying properties which could be converted to residential use in Motherwell and Airdrie and which can be sold to the Council to further its plans. It is also working to consider other projects to rejuvenate its town centre industrial estates, with Braidhurst in Motherwell being the first to show the benefits of collegiate working between NLP and the Council.

3. Equality and Diversity

3.1 Fairer Scotland Duty

There is no requirement to carry out an assessment in this regard.

3.2 Equality Impact Assessment

There is no requirement to carry out an assessment in this regard.

4. Implications

4.1 Financial Impact

Unfortunately due to additional responsibilities and pressures in responding to the COVID-19 crisis, Financial Solutions are unable to provide the financial performance information for this reporting cycle. However, we continue to closely monitor the financial position of NLP particularly in relation to the current COVID-19 outbreak

5. Measures of success

- 5.1 The percentage of vacant properties across the full portfolio has decreased slightly from Period 13 in 18/19 to period 10 in 19/20.
- 5.2 The total number of property transactions exceed the number of terminations over the monitoring period from the period 5 January 2019 to 4 January 2020.

6. Supporting documents

Appendix 1 2019/20 Performance Update – 5 January 2019 – 4 January 2020.

A handwritten signature in black ink that reads "James McKinstry". The signature is fluid and cursive, with a long horizontal line above the first few letters and a large, sweeping flourish at the end.

JAMES MCKINSTRY
Head of Asset and Procurement Solutions

Appendix 1

North Lanarkshire Properties LLP: 2019/20 Performance Indicators Progress Update

Ref No	Indicator and Frequency	Target Outcome/Purpose	2019/20 Target(Where applicable)	2019/20 Actual	2019/20 YTD	Comments				
Improve economic opportunities and outcomes										
1	Total number of property transactions (lease, renewal, assigned) in period since last report	<ul style="list-style-type: none"> • Maximise use of NLP LLP Assets • Support new or expanding businesses • Generate Rental Income to LLP 	N/A Targets are linked to achieving income levels through property rentals		Transactions per period	Transactions (YTD)	Type of property leased/vacated in period 01/04/19 to 31/03/20			
				04/01/19 - 31/03/19	12	12	Office	Retail	Industrial	Other
				01/04/19 - 20/07/19	17	29	7	2	7	1
				21/7/19-12/10/19	4	33	1	0	3	0
				13/10/19-04/01/20	14	47	1	5	7	1
2	Total number of terminations in period since last report	<ul style="list-style-type: none"> • Monitor potential loss of rental income • Monitor levels of business growth/expansion e.g. relocation to larger premises 	N/A Targets are linked to achieving income levels through property rentals		Transactions per period	Transactions (YTD)	Office	Retail	Industrial	Other
				04/01/19 - 31/03/19	11	11	3	4	3	1
				01/04/19 - 20/07/19	20	22	7	4	9	0
				21/7/19-12/10/19	15	37	2	1	10	2
				13/10/19-04/01/20	6	43	1	3	1	1
Supporting all children and young people to realise their full potential										
4	Engagement in Recruitment Fairs/ Careers Talks (Annual)	<ul style="list-style-type: none"> • Raise Awareness of existing career options within North Lanarkshire • "Grow Our Own" future generation of employees 	2 events per annum to be reported at year-end	Outcome(s) to be reported at year end			NLP will continue to engage, attend and support Braidhurst High School careers events and will consider supporting other high schools with regards to careers events on a case by case basis.			NLP LLP participated in Braidhurst High School's careers' event held on 18/02/19
5	Provision of school Work Experience placements (annual)	<ul style="list-style-type: none"> • Provide worthwhile and varied opportunities for S4 pupils to experience potential careers and work experience. 	2 Work Experience Placements to be provided	Outcome(s) to be reported at year end			Two placements available for Braidhurst High School and NLP LLP will continue to liaise with the school			NLP LLP will be hosting two work experience placements in February 20

Ref No	Indicator and Frequency	Target Outcome/Purpose	2019/20 Target(Where applicable)	2019/20 Actual	2019/20 YTD	Comments	
Improve the health and wellbeing of our communities							
6	Carbon efficiency measures installed to commercial properties. (Six Monthly)	<ul style="list-style-type: none"> •Reduced energy costs for tenants • More attractive and market-leading commercial properties • Reduce Carbon Emissions 	<ul style="list-style-type: none"> • Development of energy efficiency strategy • Identification of potential funding streams 	NLP continue to liaise with the Council's maintenance team to consider how energy efficiency protocols can be built into standard refurbishments.		Energy audits have been commissioned for 7 multi-occupied buildings including Dalziel and Airdrie business Centres	5 Properties identified where energy efficiency installations would increase mark availability
Enhance participation, capacity and empowerment across our communities							
7	Charitable income as a % of turnover (Quarterly per financial period end)	•Support voluntary and community organisations within Charity Lettings policy	≤ 1% of annual turnover as per Management Committee policy	2019/20 Period Ending 31/03/2019 (p13) 1.09% Period ending 19/07/19 (p4) 1.10% Period Ending 12/10/19 (p7) 0.94% Period Ending 04/01/20 (p10) 0.94%		NLP Continues to support charity and third sector organisations in line with its policy commitments.	
Improve North Lanarkshire's Resource Base							
8	% of rental invoices due that was paid within 30 days	•Maintain income levels	Monthly payment reports to be provided	28/12 to 27/01/19 85.40% 28/01 to 27/02/19 88.20% 28/02 to 27/03/19 87.70% 28/03 to 27/04/19 86.10% 28/04 to 27/05/19 88.70% 28/05 to 27/06/19 84.30% 28/06 to 27/07/19 88.90% 28/07 to 27/08/19 89.00% 28/08 to 27/09/19 86.00% 28/09 to 27/10/19 87.60% 28/10 to 27/11/19 85.90% 28/11 to 27/12/19 84.50%		NLP LLP are continuing to undertake actions to reduce all debt including historic debt	

Ref No	Indicator and Frequency	Target Outcome/Purpose	2019/20 Target(Where applicable)	2019/20 Actual	2019/20 YTD	Comments	
9	Total outstanding rent due as a % of turnover	•Maintain income levels and recover outstanding rents due.	Quarterly period end reports to be provided	Period Ending 31/03/19 (P13)	13.88%	NLP LLP are continuing to undertake actions to reduce all debt including historic debt	
				Period Ending 19/07/19 (P4)	23.28%		
				Period Ending 12/10/19 (p7)	13.91%		
				Period Ending 04/01/20 (p10)	18.02%		
10	% of total outstanding rent due that is historic (6+ months)	•Maintain income levels and recover outstanding rents due	Quarterly period end reports to be provided	Period Ending 31/03/19 (P13)	17.80%	NLP LLP are continuing to undertake actions to reduce all debt including historic debt	
				Period Ending 19/07/19 (P4)	44.28%		
				Period Ending 12/10/19 (p7)	44.96%		
				Period Ending 04/01/20 (p10)	4.26%		

Ref No	Indicator and Frequency	Target Outcome/Purpose	2019/20 Target(Where applicable)	2019/20 Actual		2019/20 YTD	Comments
				2019/20	%		
11	% of vacant Properties across the full portfolio as at 05/01/2020	<ul style="list-style-type: none"> • Minimise number of vacant properties • Maintain income levels 	Vacancy Rate ≤ 10% = Green (G) Vacancy Rate > 10% = and ≤ 20% = Amber (A) Vacancy Rate > 20% = Red (R)	2019/20	%	NLP LLP Continues to trade in a challenging market and is reviewing its processes to accelerate bringing void properties to the market	
				Period 13	11.13%		
				Period 4	10.82%		
				Period 7	11.34%		
				Period 10	10.72%		